

LETTERS

ON THE

USE OF NATIVE CHIEFS

AND ON

INDIAN FINANCE.

BY

“ INDIAN OBSERVER.”

“ Miserum est opus  
Igitur demam fodere puteum ubi sitiis fauces tenet.”

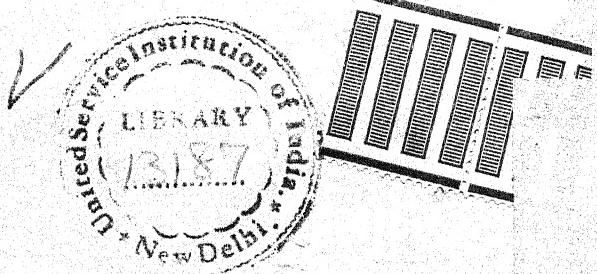
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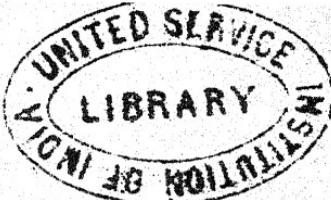
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THE



# USE OF NATIVE CHIEFS.

BY

INDIAN OBSERVER

(From ALLEN'S INDIAN MAIL.)



[It is well to mention that the following chapters are a revision and an enlarged of letters which have already appeared in the *Indian Observer*.]

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## CHAPTER I.

LITTLE doubt can now exist in the minds of any who watch our Asiatic policy, that the Conservative Government is prepared to do what the Liberal Government would have done, viz., to sacrifice our Central-Asian influence and the security of our north-western frontier for the sake of a few years' longer *entente cordiale* with Russia. It is impossible to acquit the Government of India of all blame in this matter, but at the same time it must be admitted that in the present state of politics in England it is probable that even a Dalhousie at the head of Indian affairs would be unable to secure a deliberate attention to the interests of India, identical though they really are with those of England. We may therefore assume that the phases of the Cabul question will follow (to compare small things with great) those of the Turkish one, and that, sooner or later, Afghanistan, awaking to the fact that our support is a rotten reed, will, like Turkey, throw herself into the arms of Russia.

Of course we shall have no excuse whatever for objecting to this; in fact, in our present gratifying relations with Russia it may turn out in some respects to our advantage. Doubtless our great ally will do what we have never been able to do, viz., see that Sher Ali's nominal boundary—marching with our own from Peshawur to Dera Ismail Khan—shall mark the real extent of his authority, and that his turbulent subjects therein shall be made to respect our border. The great trade in English and Indian manufactures

and produce passing through Afghanistan will no doubt disappear under the heavy protective duties the Russians will cause to be imposed, as already in Bokhara, in favour of their own products. But this will be of the less importance as we have never cared to foster or even protect that commerce.

No doubt, if at any time our relations with Russia should become strained, we should have to make great efforts and great sacrifices to place our power in India on such a footing as to enable us to disregard the formidable menace of that Power firmly seated on the Oxus, the ally of Cabul and Persia, the powerful friend of Cashmere and of every discontented sect or party in India. We have not seen any attempt in any quarter to deny this, but then the hypothesis itself is regarded as chimerical. Or at any rate such misunderstanding is pronounced to be an eventuality so improbable and distant, that it need not be taken into account,

We cannot agree in this optimist view. We believe our interests and those of Russia to be utterly irreconcilable in Europe and Asia. We feel convinced that sooner or later, when our peace-at-any-price attitude has tempted her into some fuller development of her views, a sudden gust of passion, pride or panic will hurry us into war with her as in 1854 ; or, if a consciousness of our vulnerability and weakness prevent that, will at any rate make our relations with her such that we shall hasten to strengthen ourselves as much as possible. In this view, and to preclude such consciousness of vulnerability and weakness, we have consistently urged a far-sighted Central-Asian policy. In this view, and to render such strengthening of ourselves as easy and as little costly as possible, we have advocated, and—now that the first is hopeless—shall continue more strongly than ever to advocate, a far-sighted *Indian* one,—the enlisting in our cause of the Aristocracy of India.

To anticipate objections, we are prepared to admit most counts of the indictment against native chiefs. We accept with Sir John Low (when he stood alone in the Government of Dalhousie's annexation of Nagpore), the fact the subjects of a native State would be grateful to our Government. We do not deny the following translation of an extract from a native newspaper—*Benares Akbar* of the 26th March :—"The case" (of a tract granted to the Nawab of Rampore) "is a good instance of the folly of these grants of territory to native chiefs in reward of services. The people of the territory granted are never so happy as they were under British rule." We admit, with some modification, that, as affirmed in Marshman's History, "Even when a minor prince has enjoyed the benefit of careful training under our own auspices, for one instance in which he has proved a beneficent ruler, there are half-a-dozen in which he has sunk into the sensualities of the Zenana and abandoned all care of his people."

Believing, however, as we do, that the passion for litigation introduced by us into this country is as prejudicial to the moral welfare of the people as our thick and thin support of the commercial classes in their money-lending transactions with the landowners and cultivators has been detrimental to their material interests, we cannot accept without reserve Marshman's dictum, that, if our Government is the purgatory of the upper ten thousand, it is still the paradise of the million. We consider, indeed, that by our crotchety benevolence and symmetrical theories we irritate them, and that, by our revenue and judicial systems, which combine to alienate the acres of the agriculturist in favour of the Bania—the money-lending, produce-buying, trading class—and to introduce members of the latter into the ancient village proprietary communities, we are raising up a state of feeling which, if not actually hostile to our rule, would at any rate hail any change which held out hopes of a remedy for this grievous wrong. In 1857 the formidable rebel leader Koer Singh in Shahabad, and the revolted Jats and Thakoors of the Meerut and Agra Divisions were cases in point of such a state of feeling from this cause. At the same time we confess that, uncompromisingly as our system rubs against every angle in the oriental nature, the instances are yet few, if any, where the inhabitants of a tract that has been some time under British rule would consent to revert to native Government.

All these arguments appear beside the question. We are ruling India not primarily in the people's interest but our own. Let us clear our minds of cant. Suppose that a plebiscite to-morrow declared to us most unmistakably the native wish that we should leave India to the Indians—should we do so? *Pas si bête.* Being placed by Providence in the position of guardians and tutors to raise and elevate these people, we have no intention of flinching from our task. In the view then of the maintenance of our power, does the passive good will of the million—the benevolent neutrality they manifested during the convulsion of 1857—outweigh the active hostility of the upper ten thousand? If ever there was a province where it should have done so, it was that of Oudh in 1857; but what did we see there? The people we had just relieved from the miseries of a disorganised rule and grinding oppression, clung *en masse* to their oppressors, and the one friend we had in the length and breadth of the annexed kingdom was the Rajah of Bulrampore, a chief who had escaped the sweep of our benevolent theories.

Does any one suppose for a moment that, had we given the Chiefs of the Punjab the same cause for discontent as we gave to those whom it is now the fashion to call the Barons of Oudh, we should not have had the former province on our hands as well as the latter? What kept the Punjab loyal, and enabled us to use it as a base of operations against Delhi? Was it not the prompt declara-

tion in our favour of the Phulkian and other Chiefs? What do we find in Mr. Griffin's laborious compilation, "The Rajahs of the Punjab?"—"When the news reached Pateala of the mutinies at Delhi and Meerut, and the doubtful attitude of the native troops at Ambala, the Maharajah placed himself at the head of all his available troops, and marched the same night to Jesomli, a village close to Ambala, sending at the same time his elephants, camels and other carriage to Kalka, for the transport of European troops from Ambala from the hill stations of Kussowli, Dagshai, and Sal." "His support at such a crisis," writes the Commissioner of Cis-Sutlej States, "was worth a brigade of English troops, and served more to tranquillise the people than a hundred official disclaimers would have done." And as was Pateala so were the other Punjab States.

It is needless to argue further a proposition which is admitted, in theory, by the Government of India. The principle was enunciated by Lord Canning, that her Majesty, as ruler of India, would no longer permit the aristocracy to be crushed, but would, like the Mogul Emperors—foster it as the chief support of her Indian throne. What we now propose is to show how this principle, hitherto so barren of results, may be developed to the best purpose, and to point out how the native aristocracy may best be trained and utilised so as to be a support, instead of, as at present, somewhat an embarrassment, to our power in Hindostan.

Evidently the first thing necessary in this sense is to remove any just grievances that our feudatories may have, or any methods in our procedure which cause friction and unpleasantness, and to draw closer the personal and social relations between feudatory and suzerain, which have, where government is personal, so much to say to political relations. As regards grievances we may safely affirm that, since the Queen's proclamation on her assumption of the Government of India, the principal one that the aristocracy had, as observed by the present writer in the *Indian Observer* of August 19, 1871, has been removed. The system of courting populace has had its fair trial. The poor oppressed people of India were, for some decades before 1857, relieved of the incubus of native rule with considerable persistence; the tall poppies were struck down, the aristocracy were shut out from every prospect of fame and power, and left to vegetate on their lands and to seek their only excitements in litigation and intrigue. The natural end of these things arrived in the revolt of 1857. Then the populace whom we had harassed with benevolent legislation—whom we had benefited in ways repugnant to their instincts, their traditions, and their prejudices—whom we had handed over as a prey, fast bound in the meshes of our civil law and procedure, to the Bania (who before our rule occupied much the position of the Jew in mediæval Europe)—these people either stood aloof, careless and indifferent,

or followed the lead, in favour of us or against us, of their natural leaders, the aristocracy.

Who, then, was upon our side? Why, those native States whom we had treated in such a manner as to maintain their confidence. Scindiah held fast the Gwalior contingent, and thus saved Agra; Cashmere fought at Delhi; the Sikh chiefs kept open the communications and maintained order between the Sutlej and Delhi, and afterwards cleared Hurrianah; Kuppurthulla campaigned in Oudh and Bhopal in Central India. It is needless to recapitulate what are matters of history. Suffice that the lesson bore fruit in the Queen's proclamation, in Lord Canning's *sunnuds*, in the complete revolution of our policy. The feudatories of India are now reassured, prosperous, loyal, and they are a tower of strength in their confidence, loyalty, and prosperity. But is this all they might be? We think not; we think their loyalty might be made one of sentiment as well as of interest; we think they might be utilised in counsel and in the field, we think they might be associated with ourselves socially and administratively. It is a grievous pity—a wrong to the chiefs and to ourselves—that these great nobles should remain, as now, negative quantities in the State, that they should not be consulted in the councils of the Empire or honoured with a part in its defence. It is an absolute error that they should be kept at so great a social distance from the representatives of the Sovereign, and that the political relations between these and themselves should be conducted in the manner in which they now are by British officers stationed at their Courts.

The Emperor Akbar had no political agents to watch his feudatory chiefs; but all those chiefs passed a considerable portion of their time at his Court, besides that spent as feudal service in the outlying provinces in the Empire. To make courtiers of the powerful nobles has, from time immemorial, been the expedient of far-sighted Sovereigns in Europe and Asia. At the present hour in England, how great is the difference in the attitude of the Marquis of Carabas when in London attending the Session or when lording it on his estates. The sense of individual insignificance produced in Holkar or Cashmere by a term of residence at Calcutta would send them back to their Governments wiser, more clear-judging men. And this without any irritating friction, without any humbling display of the yoke and the goad.

Our system, on the contrary, is singularly calculated to defeat its own end, presuming this to be the maintenance of satisfactory relations between the Government and the feudatory chiefs. The presence of the British agent, whether in his capacity of observer or adviser, must be galling to any feudatory chief, even where the agent's tact and knowledge of his *monde* may reconcile the chief to the individual. But, unfortunately, our present Diplomatic Service is full of men singularly lacking in the qualifications of a diplo-

matist. This is the result of the mistaken system which makes Diplomacy a department, instead of picking as agents and residents those who, among the whole body of civilians and military in civil employ, display the peculiar qualifications required for such posts. The only successful plan would have been to make the rank and file of the Diplomatic and Civil branches all one, as the Judicial and Executive branches are one; and to select from this wide field for the responsible diplomatic posts, as is done in the case of the other branches of the administration. But we would go much further. We would abolish the department, as a branch of the administration, altogether. Of course we must have representatives of the Government here and there. In Nepal, for instance, and Rajpootana, at Hyderabad, and in the Gulf. Also in Affghanistan, and on our Northern frontier (for Cashmere and the other Punjab Hill States, and Turkestan). It may occasionally, too, be desirable to administer a State through a British officer during the minority of its chief. But, as a department, we consider, as before said, that the Diplomatic Service defeats its own object; and would still do so, even were the members thereof, as a rule, selected men of proved capacity.

Either the political agent does or he does not advise and interfere in the affairs of the State. If he does, how galling to the chief and his responsible advisers, how probable a source of mischief in the case of any but an agent of the highest tact and judgment and most intimate knowledge of his subject! If he does not, then what does he do which a native agent could not do as well? As channels of communication between the Government and the chief, and as sources of information to the former regarding the chief and his State, the native would be certainly not less efficient than the Englishman (in the latter capacity, probably, far more so); and he would do the work at less cost, and with infinitely less friction and annoyance to the chief and his State. The strong argument is that a British officer is too much in evidence, he is too patently and prominently demonstrative of the chief's subject position, to be palatable to the best disposed chief—of those at any rate who have once been Sovereigns, making war and peace with the British Government on independent terms. However much he may hold aloof from meddling or advising (and such discretion is by no means universal), he will always be credited, by the subjects of the State and by its neighbours, with the exercise of authoritative interference, and will always be regarded as potentially the master of the chief. Now, a native agent, while just as useful for all that is really required of—or should be permitted to—a political agent, has no disqualifications of this sort. He is merely regarded as the "Sirkar's vakeel" by the public at large, who see similar "vakeels" from neighbouring States also present at the chief's court. He is, of course, an infinitely greater man than they, in virtue of the

+ Russia employs no one in important positions except Persian

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power that deputes him, but still he is of that class, and no subjects of the State would ever dream of howling round his gate for redress against the oppression of the officials of the State.

The first step, then, that we would take in the matter of conciliating and using the native chiefs, would be to relieve them of the Diplomatic Department; re-placing the political agents at their Courts by native "vakeels" in constant communication with the nearest British representative, a step, by the way, which would vastly extend the field for that employment of native gentlemen (as distinguished from Bengali and Parsee competition-wallahs) which we have so consistently advocated. We would bring Mahomet to the mountain, instead of taking the mountain, or rather little stones of it, to Mahomet. We would have the Viceroy's Court, like that of the Moguls, brilliant with the *cortèges* of Indian noblemen. We would have his crude unsympathetic legislation tempered by their counsels, not by making them members of a sham deliberative assembly based on a European model, thereby effectively shutting their mouths, but by using them consultatively in a manner congenial to themselves, in private interviews, or in the freedom of personal intercourse. We would also wish to see, similarly on the Mogul pattern, the Courts of the Governors of Provinces in like manner attended by the smaller provincial aristocracy, and the officialdom of their administration similarly modified and softened by the contact. We would hope, in time, to find the heirs and sons and relatives of these noblemen gradually taking suitable places (created for them if necessary) among the officers of State, and on the diplomatic and military staff; the example we propose for imitation is that of *Bajpur*. In that Empire the instances are numerous of young men of rank, from the various tribes and nationalities incorporated therein, who after some years of employment that has thrown them among the glittering circles of the capital, or the large military societies of the great garrisons, have gone back to their desert or mountain homes more Russian, more Czar-devoted than the Russian officers or Court officials themselves. By these and similar means we would seek that *rapprochement* between the Queen's Government in India and her powerful and influential Indian subjects in which alone is to be found the solution of the problem of securing the Empire against external aggression and internal discontent.

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Surely, no one will assert that there are *no* lessons for our Government to learn from those that have preceded it in this country? and yet, though the proposition has never, perhaps, been so boldly formulated, our action would make it appear as if we thought so. Granted that our system is a vast advance upon any that has preceded it; admitting that the benefits which we have conferred upon the country are such as could have been hoped for from no other rule than in times past has existed here; still it is natural to suppose that

+ Particulars of our way out of India

previous dynasties, oriental themselves, may have understood, in some respects better than we do, how to deal with orientals. If so, why not adopt into our own system the measures which worked successfully under theirs? A Mogul Emperor, if he saw a feudatory prince growing too powerful, used his strength in a manner which, while increasing his dignity and enlisting him in the cause of the Government, neutralised his power for mischief. If he saw him ill-content, or brooding over some fancied neglect or slight, he kept him harmless about his own person—treating him as an honoured guest, while impressing him by the display of his own pomp and power; he nominated him to some coveted post of dignity—in extreme cases he married his daughter. Of course we could not expect every Governor-General so far to sacrifice himself to the public service as to adopt the last method. But really, in other respects, there is no reason whatever why Lord Northbrook should not take a leaf out of the book of Akbar. On the contrary, it appears to us that there is every inducement for him to pursue a policy which presents few difficulties, which would be highly congenial to the feelings of the aristocracy, which would tend greatly to strengthen our position, and last not least, which would diminish the vast burden of military expenditure likely, ere long, to fall upon us through our grave misconduct of our Central-Asian policy.

## CHAPTER II.

The total revenue of the one hundred and fifty-three Feudatory Chiefs of India is about fifteen millions sterling. They keep on foot forces to the extent of 241,036 Infantry, 64,172 Cavalry and 9,390 Artillery, with 3,448 guns; but these troops are generally of very inferior quality, and are retained merely for purposes of police and state. Under the present system they add in no way to the military strength of the Empire, but indeed detract therefrom, in that, being generally ill-paid, ill-disciplined and under little control, they actually necessitate the maintenance of garrisons at central points to watch them. The great garrisons of Ahmedabad, Mhow, Morar, Secunderabad, and many others are thus employed. While the defence of India, whether of the portion administered by the British Government or that governed by Native Chiefs, is really maintained upon the frontiers, we have here actually the spectacle of some 40,000 Imperial and 314,598 feudatory troops neutralising each other, most of which might be engaged upon the garrisoning and defence of the Empire.

So far, with the exception of the concluding sentence, we have

always had the public with us. All see that it is intolerable that a great nobility, with an aggregate income almost equal to one-third of the total revenues of the Empire, should actually be a burden, instead of contributing to the support of an administration from which they derive advantages almost too numerous to detail. When we compare the position of these Chiefs in the commencement of this century with their present happy *status*, the contrast takes our breath away. What a wild and tossing chaos was India then, torn and convulsed by the struggles of dynasties for the mastery! Principalities erected with incredible rapidity only to fall to pieces the next moment, while other warrior Chiefs built up petty sovereignties out of their *debris*; vast torrents of desolation pouring down from time to time from the Affghan mountains or from the highlands of the Mahrattas; and over the whole, spreading ceaselessly, the curse of the Pindari hordes, eating up, like the locust, every green thing!

Now, each and every Feudatory, small or great, is as safe from Suzerain or rival, for the term of our power in India, as if he himself wielded the whole of the armies, supported by the whole of the revenues, of the Empire. Whatever his internal police may be, that of his frontiers is kept by the strong hand of the British Government; and the reclamations of the pettiest Chief against his mightiest neighbour, or against the British Government itself, receive the same attention as theirs against him. Peace, law, and order have brought population, cultivation, and commerce in their train, to the vast enhancement of each Feudatory's revenue, in spite of occasional mal-administration. The whole advantages of a system of communications such as Asiatic dynasty has never dreamt of—railways, harbours, postal communications, telegraph, a vast European commerce—all created by ourselves—have been placed at his disposal free of cost. Some of the Chiefs have in various ways contributed to roads and railways within their own limits; but this does not affect the general position. All reap, in more or less degree, the fruits of the vast progress made by India, under our charge, in every branch of civilisation.

But it would be endless and unnecessary to recapitulate all that the Feudatory Chiefs of India owe us. They know and acknowledge it in a measure, in a general confused way; and are, now that annexation policy is finally discarded, bound to us by ties of gratitude and interest accordingly. Nor is it their fault that they make us no direct return; that they contribute nothing to the strength of the power by which they exist. They would be ready and willing to do so, though perhaps not in the shape of money tribute (our own actual subjects seldom display their gratitude willingly in cash). They would consider it an honour and a favour to be permitted to do so in the way that we have generally indicated. We

conceive that we can show that way to be practicable, advantageous, and one which will adequately remedy the present indefensible state of things. But other remedies have been suggested, and we will first proceed to their examination.

We said before that, so far as considering the present state of affairs intolerable, the Indian public generally were in accord with ourselves. It could hardly be otherwise ; but unfortunately the public sentiment in India can do little towards moving an overburdened Bureaucracy. Besides, the remedies that have hitherto found favour with the public are of a nature so sweeping as to be sufficient in themselves to furnish an argument for doing nothing. The importance that a native Chief attaches to the maintenance of an army may be judged by reference to p. 272, vol. 6, and p. 393, vol. 7, of Aitchison's Treaties, where Scindia, who was limited after the Gwalior campaign of 1844 to thirty-two guns, 6,000 cavalry, and 3,000 infantry, thankfully receives a main portion of his reward for service rendered during the Mutiny, in the permission to increase his artillery by four guns and his infantry by 2,000 men ; and again, in 1864, compounds for the retention of the Fort of Gwalior by our troops by stipulating for sanction to a further increase of twelve guns to his artillery. And yet a proposal which finds general favour is to sweep these armies of the native Chiefs away ! It is now too late to try such an experiment.

Another idea is to make the Chiefs contribute in cash to the administration whose advantages they enjoy. Now it must be remembered that the Budget head of "Tribute" shows an average of over 72 lakhs (balanced however by an expenditure head, called "allowances and assignments under treaties and engagements," amounting to £1,769,890)—or about 5 per cent. on the gross income of the feudatory nobility—which at first sight would appear a very fair contribution, considering that they have also the expenses of internal administration to bear, and that therefore, the incidence on net income must be at a percentage probably treble. No doubt, however, mere figures do not give a fair representation of the case. A great portion of this 72 lakhs really represents a species of quit-rent—on terms of which alone some Chiefs can claim to hold their States at all. For instance, several of the Punjab Chiefs—Chumba, Kupurthulla, and others—pay large proportions of their revenues, up to even 30 per cent., as a condition of their tenures ; and similarly in other Agencies. Cashmere, again, paid once and for all three-fourths of a million sterling for his holding, while other Chiefs, like the Nizam and Scindia, gave up large portions of their territory, for the maintenance of British contingents, as a condition of the retention of the remainder. Such cessions as these, and capitalised payments like Cashmere's, are not, of course, regarded as contributions by those States to the cost of the administration under which they live. And no more should be the quit-rents, which compose so considerable a

portion of the 72 lakhs or £720,000 sterling, figuring as tribute upon our rent-roll, but which really represent only instalments of the price paid by the Chiefs for the retention of their States. Allowance being, therefore, made for this, there remains, in the case of many States, no contribution at all, and in that of most of the remainder a very inadequate one, to the Government from which they derive such incalculable advantages.

Admitting this, however, we derive from it no argument in favour of the proposed remedy of taxing these States; any more than, from the inefficiency, serious political inconvenience and costliness to ourselves, of their armaments, we can deduce any valid considerations in favour of sweeping them away altogether. The *con* in both cases, which utterly outweighs all *pros*, is the great political danger and disadvantage which would attend such courses. We before said that the Chiefs of India, as a body, made us no *direct* return for all that they receive from us. But, though this is true, the indirect return that they make us is one of very important magnitude, and would be fatally missed in the working of the political machine.

Who that has passed through the great agony of 1857 can have any but the liveliest feeling of the importance of the feudatories' *rôle* in the maintenance of our power? The dullest Englishman under the walls of Delhi must have felt, as he looked down upon the straggling camps containing the contingents of Cashmere and the Punjab Chiefs, that those ill set-up but hardy soldiers counted for considerably more than their numerical strength in reckoning our chances of victory. Those who at Cawnpore bore the shock of the Gwalior contingent, and could thus appreciate the part it would have played if released three months earlier, must have realised that the support of Scindia (though he had not a bayonet to offer us and could not eventually defend his own capital) contributed in no small degree to our safe passage through the crisis. The experience, on the other hand, of those columns that had to deal with insurgents, rallying round the hitherto obscure Ranees of Jhansi (a State annexed four years previously), or headed by the insignificant Koer Singh of Behar (a mere zemindar, rendered desperate by the Bania and our Civil Courts), must have given them an idea of what their task would have been had a single one of the great feudatory Chiefs appeared in arms against them.

In fact, the Feudatory Chiefs' part in the suppression of the rebellion is not to be in any way estimated by the amount of military assistance they afforded to the British arms. The Chiefs who declared for us influenced their neighbours by example, by jealousy, or by fear. Those who were in doubt became confirmed in their loyalty if already well inclined, or alarmed into it if otherwise disposed, by the belief that favourable circumstances existed in our position, unknown to them, but which had influenced the decision of the Chiefs who had taken our side. Or a rival, hitherto tem-

porising, would be spurred into immediate decision by the fear that his neighbour was getting the start of him in our favour—or that, with our support, that neighbour would be strong enough to work him some mischief unless he, too, ranged himself upon our side.

Again, each Chief gave the cue to millions of our own subjects, who were watching his every sign for an indication of his views as to the result of the struggle. His adherence to our cause at once lowered the tone of the preachers of sedition, disconcerted innumerable combinations, and sent a shock of disheartenment and mutual mistrust through the ranks of the revolt,—while at the same time confirming the loyalty, raising the confidence, and adding force to the arguments of our adherents in every quarter. On the other hand, if heading the movement, each ancient name would have been a tower of strength to the rebel cause, quite apart from the personal qualities of the Chief himself. It would have formed a rallying cry for the tribes of his kindred, and would have raised *en masse* against us Sikh or Mahratta, Jat, Rajpoot or Pathan, according to the nationality of the illustrious leader of the revolt.

Nor, to look at the influence of the Feudatories on the result of the struggle in its lowest aspect, was the actual military power of these great Chiefs a factor to be disregarded in the calculation. No doubt, ranged on our side they were unable to display themselves in half their formidableness, for the hearts of their people were not thoroughly with them in the matter. Nevertheless, the Sikh chiefs alone put about 10,000 men into the field—without whose support and that of the Cashmere contingent the siege of Delhi could not have been undertaken or maintained. The other great Feudatories, if generally unable to take the field, owing to the attitude of their subjects, at any rate maintained a bold front in our behalf, and kept the peace to a greater or less extent in their respective dominions.

This, then, is one great part of the indirect return that the Chiefs of India make us for the manifold advantages before detailed. Suppose they had not existed. Suppose our righteous indignation at their misgovernment, or their backwardness in the path of progress, had led us, impatient of such anachronisms, to sweep them away as we got the opportunity. Suppose, for example, Lord Dalhousie had been Viceroy in 1843 or 1844, and had annexed Indore and Gwalior on the fair opportunities which offered in those years. The consequence would have been that in the length and breadth of Malwa there would have been no chief of note, when the rebellion broke out, save the Mohammedan Begum of Bhopal—who as woman and alien by faith and birth has no influence beyond her State—to discourage the spirit of hostility to our rule then rife among all classes of the people, to afford shelter to the unfortunate European refugees, and to threaten and cajole the revolted British brigades.

It will be said, however, that all these Chiefs were far from really loyal ; it will be instanced that Holkar was more than lukewarm, that Kotah and Boondee were undoubtedly disaffected. Granted ; and is it nothing that they were not actively hostile, that they disheartened revolt by merely standing aloof from it, from whatever motive ? What is it to our argument now, any more that it was to our cause in 1857, whether it was the Nizam or his Minister Salar Ali, whether it was Scindia or his dewan Dinkur Rao, who kept Gwalior and the Deccan aloof from the rebellion ? Enough for us that the native States were there, breakwaters in the strong tide of revolt, the accumulated power of which, had it had full unbroken sweep, would have been irresistible. Enough for us that the mere fact of their existence interested the feudatory Chiefs in the *status quo*—there being no such element of precariousness or intolerableness in their position as to lead them to run unknown risks in attempting to change it.

Had Holkar and the Rajahs of Kotah and Boondee not been there, would not the Malwa contingent have had the support of the territory of Indore—as the Oudh contingent had that of the province of Oudh, of which our annexation policy had just removed the head—or similarly the Kotah contingent that of Kotah and Boondee (which form actually but one territory) ? In 1857 there spread throughout India an all-pervading spirit of not so much disaffection as a longing for change, and of belief in the eclipse of our star. Had all India been homogeneous, all under the dead level of the alien's rule, the match applied to the train at Meerut, which flashed explosion throughout Upper India, would also have set the Punjab and Central and Southern India in a flame. But, by God's providence, our really well meaning policy had as yet only had opportunity of development in the cases of the great native States of Oudh and Nagpore, and Sattara ; and, consequently, between the North of India and the South, and between the Upper Provinces and the Punjab, extended a barrier of feudatory States, causing a breach of continuity in the train, and cutting off the conflagration from those portions of our dominions.

We will prolong no further this division of the argument, but proceed to examine another important phase of the indirect return made for our protection by the feudatory Chiefs. Their States afford that opening for native talent and ambition which, since the days of Lord Cornwallis, the British Government has refused to its subjects in Hindooostan. We will at once anticipate objectors by admitting that the heretofore sacred ranks of the Civil Service are open to any native of India who can win an appointment by competition in England. We admit it and assert that, were the cruel mockery of this pretence of political equality once understood at home, there would be a heavy reckoning for those who, instead of bread, thus persist in offering a stone. The only parallel we can offer, and it

is an inadequate one, is to propose the conception of the subjugation of all Europe by China, and the administration of its various Kingdoms, under the designation of provinces, by Chinese officials. We will suppose the conquest to have commenced simultaneously from Mingrelia and Greece, and those abject populations, of subtle but emasculated intellect, to have had the advantage of fifty years' earlier contact with Chinese civilisation, to have been the first Europeans known to the Chinese, and consequently to be, in their eyes, representatives of the race. We will imagine them to have reaped the first fruits of all the Chinese efforts for European amelioration and education, to have become masters of a fluent "pigeon" Chinese and a smattering of Chinese science, and thus, and by earlier contact, to have secured the first word with all the great Chinese officials delegated to the Government of Europe; to have in these ways, and through the constant intercourse resulting upon Athens, Poti and Odessa being the seats of government, come to be regarded (these Greeks, Mingrelians and Bashkirs) as the only Europeans to be consulted or brought forward; their views and wishes, represented by a clever indigenous press (writing in Chinese), being looked upon as those of the whole of Europe.

Now let us conceive the Chinese admitting the necessity of bestowing on Europeans some share in the government of their own continent (the lower grades in the administration whereof were already entirely theirs), and prescribing, as the means of such admission, the same competitive examinations in Chinese lore, held in China, by which the Chinese obtain Government employment. Let us imagine them making no allowance for race, religion, or temperament; indifferent whether Spaniards exercised administrative functions in Scotland, or Swedes in Italy, because to them Spaniard and Scot, Swede and Italian, were all Europeans, all one race, represented generally to the Chinese imagination by the Chinese-educated Greeks. Thus brought home to us, we can figure to ourselves some of the results of our policy in India. Evidently the Greeks and Mingrelians, with their immense start and so favourably handicapped, would monopolise all the mandarinships that fell to the lot of Europeans. If the impediments thrown in the way of successful competition were so great that these were few—then Chinese liberality and justice would turn out to be mere pretence and evasion. But if they were many, then matters would be no better, for plainly it would be no political concession to the English to be governed by Greek mandarins;—they would prefer the Chinese, whom they respected as conquerors and as skilful administrators, and as just and honest men according to their lights, in every single respect the antipodes of the Greeks. The Chinese could not reply that the English had the same chance of employment as the Greeks, for the former were conquered a hundred years later, and the start and favour afforded to the latter prevented any chance

of their being caught up. In India, moreover, (to abandon the inadequate parallel) the distinctions between classes and castes are such as Europeans have no idea of, and those who are the most fitted naturally, by position, character, influence, and education (apart from mere book-learning), are restrained by many considerations from entering into an open competition with their inferiors; consequently, if ever representatives of any of the races, other than those on the coast, succeed in obtaining admission (by competition) into the Indian administration, they will be such as will be a weakness rather than a strength to our rule, even when employed in their own provinces.

No. We have in no sense admitted the natives of India to a political equality, or afforded the slightest opening in the administration of the country to native talent and ambition. Is it only we that say it? Let us hear the press of Upper India, that vernacular press which does in some measure represent the popular feeling of which the English-writing organs of Calcutta and Bombay do not give even the slightest reflex.

The *Kavi Vachan Sadhu* (published at Benares) of the 20th July finds fault with Government for reserving all the higher offices in the public service exclusively for men of its own nation. Why should the conferring of such posts on the natives of the country be made to depend on their passing the Civil Service examination? India has in all times produced able and accomplished men, perfectly qualified to hold the highest offices under the Government. The *Nur ul Absar* (published at Allahabad) of the 1st August remarks that, when natives are rarely consulted in matters which immediately concern them, it is vain to expect that Government will allow them an opportunity of expressing their opinions on important political matters. The *Koh-i-Noor* (published at Lahore) points out the mockery of opening the Indian Civil Service to the natives by a competitive examination held in England. It regrets that Hindustani gentlemen should have obstacles and difficulties thrown in their way.

In short, what we are doing is merely to substitute a bad native bureaucracy for a fair English one. What we *should* do is to gradually employ the native gentry, by selection, in the administration of the provinces to which they belong, and to train the scions of the aristocracy to become efficient members of the administrative and diplomatic services. And, till we do this, the Native States play a most important part in giving scope to men who refuse to be content with a career in which the highest goal of their ambition must be the lowest seat on the Judicial bench, and in which they would be junior to, and liable at any moment to be under the orders of, any Englishman of any rank in life who can win a place in a moderate competitive examination.

The remaining phase of indirect return by Native States for the

advantages they derive from us may be termed a negative one. They afford a harbour for the riff-raff, the discontented, and the rejected of British India. The loose fish find themselves in their element therein. A seething mass of rascality and turbulence, which, if spread through the British Provinces, would inevitably cause trouble, is drawn to a head in the Feudatory States, and finds there that kind of easy employment and light discipline which suits its idiosyncrasy. It is surely a matter of no small advantage that the indolence and rascality of the Indian Empire should in this manner be drained off into certain reservoirs outside of British territory, and, without one farthing of expense to the British Government, subjected to control and provided with a tolerably honest means of livelihood.

Again, these States serve as a very useful foil to the British rule. It has been frequently remarked that the very populations which have at first hailed with satisfaction their deliverance from anarchy and from the oppression of Native Governments—which have at the outset regarded annexation as a blessing, and have settled thankfully down into rest and peace under the strong rule of the British—have ere very long forgotten the sufferings of the past and become keenly alive to the inconveniences of the present. They have found the oppression and malversation of the Native underlings, the rigidity and hardness of the revenue system, the intoxicating facility and uncertainty of litigation, and the enormous and unjust advantages afforded by our system to the *bania* (the produce-buying, money-lending class) in his dealings with the landholder to be all ruinous to the simple agriculturist. They have been harassed by benevolent theories and well-meaning hobbies, bewildered with the rapid succession of laws, regulations, and systems, rendered suspicious by the multiplication of unexpected and vexatious demands upon their pockets. They begin, in short, to look back complacently on the old days when they had a remedy against oppression and over-taxation in resistance and evasion, when they settled their disputes in their own simple patriarchal way, and when the money-lender had no Civil Courts to aid him in gradually ousting the immemorial owners of the soil. Under these circumstances, it is indubitably of advantage to us to be able to show, from existing examples to the descendants of the men who came gladly under our rule, that native domination is not all their fancy paints it; to be able to give them an opportunity of contrasting their material prosperity, and the state of law and order under which they live, with the comparative poverty and misrule of their neighbours in Native States, and of discovering that, if worse off in some things, their condition is on the whole superior. It is no small thing for the British Government to have ~~to~~ to its hand a palpable *raison d'être*, one which appeals to minds for which history and statistics are alike valueless.

### CHAPTER III.

WE have before said that the objections to the sweeping remedies of taxing our Feudatories or abolishing their armies are not based alone upon the fact that they already in various ways make us a return for the protection and other benefits that we afford them. The main objection to the latter course is, as stated in our remarks upon Indian Finance, that the force of 314,498 men and 3,488 guns maintained by our Feudatories cannot, in most instances, be reduced without actual breach of treaty engagements, nor in any case without an unwarrantable exercise of the *force majeure* likely to produce great uneasiness and discontent among them; and a similar objection, *mutatis mutandis*, applies to the idea of imposing or enhancing tributes. Of course, were it absolutely necessary in the general financial or military interests of the Empire, such considerations would have to give way; just as, when necessary, the permanent settlement must be abrogated, or the Cabul or Cashmere frontiers militarily occupied. But in such cases the point at which a statesman would consider such necessity to have arrived would differ materially, according to the degree of inexpediency or danger, and the extent to which such necessity could be evaded by other means. In the present instance, means of evasion exist in the utilisation of the Chiefs themselves.

We have before pointed out, in the instance of Scindiah, the importance attached by a native Chief to the maintenance of a military force. This is not merely as an outward and visible sign of his sovereign state, but also, and most naturally, with the view of enhancing his importance, his power for rendering service, in the eyes of the Government. The Nizam, for example—though the maintenance of the subsidiary force was justified by no treaty engagements, though it had kept him constantly in debt—still when the cession of the Berars was demanded for its maintenance, and he was at the same time permitted the alternative of breaking up the force, would not have reduced by a single bayonet or sabre a portion of his army, which is nevertheless practically a British brigade. Again, to what do most of the Chiefs who obtained rewards for service rendered in the rebellion of 1857 owe this enhancement of their wealth and dignity but to their military forces? A greater humiliation than would be inflicted upon these princes in disbanding their armies, in depriving them thus of all the outward signs and splendour betokening their ancient royalty, in proclaiming to the world our mistrust of their loyalty or our indifference to their support, cannot be conceived. No surer means could be devised of making our

Feudatories our greatest danger in the event of invasion from without, and of rendering them easy tools in the hands of an enemy endeavouring to cripple us by exciting discontent and revolt within our territories.

Nothing can be more certain than that our best policy against such danger is so to attach the aristocracy of India to us by ties of sentiment and interest as to lead them to regard any change as one for the worse. This can only be when the Feudatory Chiefs find themselves trusted, honoured, and useful in the Court, the Council, and the field ; when a fair proportion of the administrative and military posts of the higher grades in British India are in the hands of the natural leaders of the people ; and when the scions of the aristocracy are trained up in that close official and social contact with ourselves, which, as before mentioned, has been attempted with so much success by Russia in dealing with young men of rank from the various tribes and nationalities incorporated in her Empire. If this be the case, what becomes of the proposals to humiliate the Feudatory Chiefs by abolishing their military forces, or to vex and gall them by the enhancement or imposition of tributes, where such measures are not even contemplated in the accepted conditions under which they continue to enjoy their possessions ? Surely, the logical conclusion to be arrived at is rather that it would be politically remunerative to endeavour to get rid of, or disguise, burdens which, though accepted, cannot but be galling. If such a step could be combined with a measure which, in rendering the Chiefs actively useful in the defence of the Empire, relieved us at the same time of much of the military expense of watching their armed levies, what could be more desirable, in view of the additional strength derived from the increased content and attachment of the Feudatory Chiefs to our rule ?

At any rate, whatever the remedies for the present state of things may be, they are not to be found in measures to depress and humiliate the dependent Princes of India. It does not, however, follow as apparently argued by the Government of India that the present state of things does not need remedy. It is still intolerable that a great nobility, with an aggregate income almost equal to one-third of the total revenues of the Empire, should actually be a burden, instead of contributing to the support of the administration. The indirect return made by them for the benefits which they derive is doubtless very large, and yet it is by common consent inadequate. They are moreover willing to make, in their own way, a direct return, such as the Rajpoot Chiefs in the old days made to the Mogul Emperors. If, then, their way is a practicable one, and one from which we should derive an appreciable balance of advantage, while at the same time gratifying the Chiefs, why should we not consent to take a leaf out of the Moguls' book, and to admit at last that there

is something even for us to learn from Oriental dynasties in dealing with Orientals?

The present writer asked in August, 1871—"Why should not the military propensities of Scindiah find an outlet in the defence of the Peshawur valley, while to the Rajah of Cashmere was committed that of Agror?" with other propositions to the like effect. He pointed out that idleness and stagnation, and the lack of outlet for energy, must always produce a certain amount of latent danger in Native Chiefs, as it confessedly does in private individuals of ability among our own subjects, to whom our system affords no opening. As the latter defect in our Government is admitted to require a remedy, and that a speedy one, so to a certain extent does the former. He observed then—"All Native Chiefs are not able, restless and ambitious, but they all have about them such as are so; and we may safely predicate that from Mysore to Cashmere there is not a Prince, however loyal, but would be glad of some occurrence, even though disastrous to ourselves, which would give him the opportunity of showing his *khidmat*, if possible, but at any rate of doing something better than rusting in obscurity.

The advantages and the method of the proposed policy were then sketched out as follows: "The Chief, whose idleness is our danger, would be trusted, employed, and loyal. The armies which we now pay other armies to watch would become, not only innocuous, but useful. The arrangement adopted would, of course, be to give the Chiefs outlying districts in jagir, to an extent only partly adequate to pay their troops, meanwhile maintaining our own cantonments in support, and even, when necessary, holding forts in the midst of the feofs." With reference to the objection that the Feudatory troops would not be able to hold their own, he then explained that the proposition was to organise the contingents under British officers lent for the purpose, pointing out at the same time that there was nothing to be feared from such efficiency in the case of isolated divisions of a few thousand troops separated from their base and resources by (for instance) the distance between Peshawur and Gwalior. He demonstrated, moreover, that the strength of such opponents as these contingents might be called upon to encounter lay only in the defence of their own hills, and that aggressive expeditions would be operations in which a Chief's contingent would neither desire, nor be permitted, to take a part. In the plains they would be masters of any force the mountaineers might send there, and their operations should be confined to holding their outposts in force, and defying all attempts of their neighbours to do them injury, or to inflicting reprisals by an occasional sudden dash upon some easily accessible village, or generally by the far more certain and effectual punishment of blockade. "For this kind of defence," he observed, "their troops, if fairly organised, would

be entirely adequate, and against organised aggression there is the Bengal army in reserve."

We still hold the opinions expressed in 1871, and formed long previously. Nothing that we have seen or heard or read leads us to suppose that trained Mahrattas, Rajpoots, or Seikhs of to-day would not be as efficient as the battalions of Du Boigne and Perron, as the levies which so nearly secured victory for Shah Shuja under Candahar in 1834, as the armies that shook our power to its foundations in the Seikh campaigns of 1845 and 1849. That such training, once supplied, can be maintained without the necessity of a staff of British officers, is proved by numerous instances in the history of India, and that the British could easily supply it as patent as that the Chiefs would thankfully accept it. The contingents, isolated and enveloped by British troops, could never, under conceivable circumstances, be otherwise than harmless to us, while greatly relieving our military strength (already overburdened by the extent of the task described in our pamphlet just published upon Indian Finance), and indeed materially supplementing it. Finally, if the arrangements are judiciously made—if tribute, where paid, be applied to the maintenance, or part maintenance, of contingents on the part of the Chiefs, and, where none is paid, if jagirs be given for such part maintenance ; if local forces, where already maintained out of tribute, like the Bheel Corps or the Bhopal levy, be more identified with the Chiefs by whom they are paid, so that, as in the case of the Nizam and his subsidiary force, the Chiefs may take pride in them as their own troops—then we fully believe that the problem will be solved of obtaining from the Native Chiefs a direct return for our benefits, in utilising them for the defence of the Empire, while at the same time attaching them more closely than ever to our rule. That the Chiefs themselves would eagerly strive for and endeavour to earn the troublesome and expensive honour is not in the least doubtful ; should the Government of India wish to make sure, let them just throw out the faintest hint to Scindiah or Holkar. The fact is that this idea, so absurd and impracticable and rash to English judgments, has been frequently canvassed by able and far-sighted natives, who have but one opinion as to the advisability of the measure. It is not a new policy, but a revival of that of Akbar and Shah Jehan, two of the wisest monarchs that ever sat upon a throne. It would not strengthen or add to the elements of danger and disorder at present existing within the limits of the Empire, but would on the contrary act precisely in the manner of a safety-valve.

It only now remains to give some examples of the manner in which we would carry our proposals into effect. It must be remembered that, by usage and precedent, dating from the time of the Moguls whom we have succeeded, and in many cases embodied in actual treaties and engagements entered into with ourselves, the

Princes and Chiefs of India are bound to render to the Suzerain military service in time of war. In many instances this has been commuted for a money tribute. Our proposal is to define and limit this obligation, fixing (as in the case of the Nizam of the Deccan, our greatest Feudatory) a certain extent of service to be rendered both in war and peace in consideration of exemption from further demands in time of war; in consideration also of remission of tribute or assignment of military jagirs to the extent of a part payment of the cost of these contingents, which cost (but for far larger contingents) would otherwise, in time of war, fall entirely upon the Feudatories. These contingents should, we propose, be in all cases formed upon the model of the Punjab Force, only commanded of course by native officers. The European officers attached at first to the contingents to train them would be gradually withdrawn, and be always considered in excess of establishment and supplied without charge by the British Government. The establishments of each arm should be as follows:—

	Officers.	N.C.	Gunners, Buglers, &c.	9-Pounder Guns.
Light field battery	4	12	93	2
Mountain do.	4	9	63	2 3-Pr. gs.
Regiment of cavalry	17	54	390	—
Do. of infantry	21	80	616	—
	24-Pounder Howitzer.			
Light field battery	2	4	95	53
Mountain do.	2 12-pr. howitzers.	—	102	86
Regiment of cavalry	—	—	461	222 ponies
Do. of infantry	—	—	—	40 mules

The advantage to ourselves in this will be in having a real permanent accession to our military strength which contingents, such as Chiefs could supply on a sudden call, could not be considered to be; and in so disposing these contingents as to render them under any circumstances innocuous, thus reducing the dangerous element of disciplined levies in the States themselves against which we have hitherto had to guard. For it is understood that the arrangement proposed would include the stipulation that the States should not increase the number of their troops under arms in consequence of the detachment of these contingents, and the establishments left after their withdrawal would not remain more than adequate for the actual administrative duties in the States themselves. The attraction to the Chiefs will be the accession of dignity and sense of trust and usefulness, in being employed by the Sovereign in the

wardenship of the frontiers, and rewarded by remission of tribute or bestowal of military jagirs or feofs.

In the case of the Nizam of the Deccan, the principle already adopted might with advantage remain unchanged. He willingly maintains a contingent of 5,500 infantry, 2,500 cavalry, and four batteries of artillery, practically a British force, by which his country is garrisoned and his lawless levies held in control; this force being in lieu of the 6,000 infantry and 9,000 cavalry which he is bound by treaty to supply in time of war. The same principle should be applied to Mysore, before that great Principality, with its revenue of a million sterling per annum, is handed over to native administration; but it does not commend itself to us as the most practicable or desirable arrangement in the case of the other Feudatories. Such a force in a State might be apt, notwithstanding its British officers, to identify itself with the State, should the interests of Feudatory and Suzerain ever run counter; moreover, the object is to gratify the Chiefs by employing their contingents in our service, whereas such contingents would be patently for the purpose of overawing their other troops, the necessity for which would not be so evident to all as it has become to the Nizam. In the case of Mysore, the maintenance of a contingent of at least six thousand men, with a portion of artillery, cannot be thought an excessive demand, when it is considered that the Hindoo dynasty which we have restored, and for which we are at present administering the country, had been expelled for two generations, and that we re-established it after two bloody wars undertaken against the Mohammedan usurpers. It must be considered also that our management has more than trebled the revenue. The maintenance by the State of a contingent force of 4,000 horse was stipulated for in the treaty of 1807; but only half that number are at present maintained, and the force should be completed into a brigade of all arms similar to the Nizam's contingent. Travancore, the only other great State in Madras, with an income of over half a million sterling, pays already a subsidy of £80,000 per annum for the maintenance of a British brigade; and in the special case of that State, situated in the extreme south of the Indian Peninsula, this is an arrangement which we would not disturb.

In saying that this principle should not be the one adopted for the other Feudatory States, an exception should be made in the case of the great hill State of Cashmere (revenue half a million sterling). A Cashmere contingent could be more profitably employed for the service of Government within that State itself, the border of which is also that of the Indian Empire, than elsewhere, and the Maharajah should be invited to detach a special force of four infantry and one cavalry regiments, with a field and mountain train battery, to be commanded by British officers and brigaded on the Turkestan frontier. As no tribute is paid by this State, for which

a quit payment of £750,000 was made when it was conferred on Golab Singh in 1846, jagirs to the amount of a portion of the cost of the contingent (say £40,000) should be allotted to the Maharajah in British territory. The outpost defence of the remainder of our North-Western Frontier we would propose to allot to the principal Feudatory Chiefs as follows :—

To Holkar, Huzara, to be garrisoned by a contingent of four regiments of infantry and one field and one mountain train battery, in place of the two regiments of infantry and mountain train battery of the Punjab Force now occupying that district.

The great Mahratta State of Indore comprises an area of 8,318 miles, with a population of three-quarters of a million and a revenue approaching half a million sterling. This State has twice waged war with the British Government. It maintains about 10,000 troops. The Maharajah is our own nominee, the State having lapsed for want of heirs in 1843, when the present Chief was selected by the Resident, and received the State of the free grace of the British Government. He is a grasping ruler, but does not lack ability. His loyalty, if lukewarm in the Mutiny, is now above suspicion, and the remission of the £11,900 paid by him as tribute, together with the assignment of a jagir in Huzara to the amount of £20,000 per annum, would be ample compensation to him for the cost of his brigade, when the honour conferred upon him in the very fact of such remission of tribute and bestowal of jagir, and of such honourable employment among his peers, is considered. In this, as in all the cases which we shall go on to specify, we must be understood to contemplate the occupation of no other position by the Chief in his military jagir than would be occupied by any other great jagirdar; than is occupied, for instance, by the Raja of Kupurthulla in the jagir which has been granted to him in Oudh for his services in 1857-8. His troops would also form a component part of the division in which they were located, and be inspected and distributed by the Divisional General, their commanding officer occupying the position and exercising the powers merely of a Brigadier or senior officer of a district. The political arrangements would remain, as now, in the hands of the Civil authorities, who would, however, under the scheme now broached, become rather a diplomatic staff—or, as has been often proposed, assistants to a Governor-General's Agent for the whole frontier—than simple Magistrates and Collectors as they now are.

On the other hand, as jagirdar, the Chief should, in common with all other jagirdars and local Chiefs of tribes on the frontier, enjoy very much more independence of action than is at present allowed to such. We referred to this subject in the *Observer* of February 28th and March 14th, expressing our opinion that, always under supervision, and guided by general directions from the Political

Officers they could deal with the tribes on their immediate borders better than English officers can, and would be very useful as buffers between them and our Government. In fact, practically, the Chief of the Khuttuks, the Nawabs of Amb, Agror, and Tonk, and the Belooch Chiefs of the Dera Ghazi Khan district, are so employed ; only their full usefulness in this respect has been in no case developed, and, in cases like that of Tonk, has been nullified by half measures. To return to Huzara, Holkar's deputy's immediate task, with the strong contingent allotted him, would be easy enough, and he would have, as the Brigade at Abbottabad has now, the support of the garrisons at Nowshera and Rawulpindi ; while Bhurtpore's force upon his left, in the plains of Eusufzai, could always lend him a helping hand. His business would be to hold in check the Swatis, Khoganis, Hussunzais, Wahabi fanatics, and other tribes south-east of the Indus, and to support the Khans of Agror and Amb. His force would necessarily at first be directed by European officers, but afterwards, when accustomed to the country and the work, it would, we are confident, be fully competent in native hands to these duties —none of those mentioned being tribes of high military repute.

To Scindiah, Peshawar, south of the Cabul river, to be garrisoned by five infantry and four cavalry regiments and four field batteries.

To Bhurtpore, Peshawar, north of the Cabul river (Hushtnugger and Eusufzai), to be garrisoned with two infantry and one cavalry regiments and a battery of artillery.

The garrison of Peshawar consists at present of 2,000 British and 3,500 native troops at Peshawar itself, with twenty-five guns ; 600 British and 1,200 native troops at Nowshera ; 1,000 native troops at Hoti Murdan ; and 500 native troops, with four guns, distributed in the outposts of Michmi, Shabkudr, Abazai, and Mackeson : Jamrud and Bara are no longer occupied. The above numbers represent three regiments of British infantry and six regiments of native infantry, three and a half regiments of native cavalry (all these belonging to the regular Bengal native army), two companies of Sappers, and four batteries of artillery. What we propose, then, is to replace the native garrison of Peshawar and its outposts and that of Hoti Murdan, with Scindiah's and Bhurtpore's troops, merely holding as advised by Sir Alfred Wilde, the fortified terminus of the Peshawar railway, garrisoned by a wing of European infantry and a company of artillery. We would strengthen the Nowshera garrison with another European regiment, some artillery and the other wing of the above regiment, and withdraw the rest of the troops to Rawulpindi, which should be the great Northern Punjab garrison, supporting, with its subordinate garrisons of Jhelum and Tallagung, Holkar, Scindiah, Puttiala, and Jeypore in Huzara, Peshawar, Kohat, and Bunnoo.

As remarked by Sir Alfred Wilde : "The permanent base of all

operations in the Peshawar valley must be Rawulpindi, and the intermediate and temporary bases would be, according to circumstances, either at Torbela, Attock, or Khushialgurh—all ferries on the Indus" (leading respectively to Hoti Murdan, Peshawar, and Kohat). "It should be remembered that some of the most powerful and certainly the most hostile tribes to us inhabit countries to the eastward of Peshawar, and could invade our territories and actually cross the Indus without going within sixty miles of it. With the Indus bridged at Attock, and a railway between Rawulpindi and Peshawar, we shall be ready to meet any enemy, let him advance either through the Khaiber to Peshawar, or through the Péwar" (the great Khuoram route, which, with the Khaiber, Gomul, and Bolan, are the four military and commercial highways between Hindostan and Central Asia) "to Kohat, or from the direction of Swat." "Locate the European troops at Rawulpindi or any other healthy site Cis-Indus, construct a railroad to Peshawar, and run the terminus into a small star fort on the plain beyond the present cantonments and facing the Khaiber Pass. Let this be garrisoned by a wing of a European regiment. \* \* The excellent barracks now in existence for the European troops to be kept in repair so as to be ready to receive the troops as they may reach by rail in the event of any emergency." Sir Alfred Wilde's military reputation and intimate knowledge of the North-West Frontier, and of the requirements of frontier defence, should be sufficient argument in support of committing the Peshawar frontier to native hands as soon as the railway is open ; and Scindiah's contingent might, we consider, be as effective for the purpose (his yearly camps of exercise are the admiration of British visitors) as our own native troops, thus setting free a brigade of the latter to strengthen our general military dispositions.

The Gwalior State has a revenue of about a million sterling, with a population of  $2\frac{1}{2}$  millions. The succession thereto has twice failed, but distant connections of the reigning family have been appointed to the Chiefship by the consent of the British Government. The present Maharajah is one of these nominations ; he maintains an army limited under treaty to 11,000 men and forty-eight guns. After the Gwalior campaign of 1843 (the second conducted by the British against this State) he ceded territory to the value of £180,000 per annum for the maintenance of a contingent like the Nizam's. This was practically an integral part of the Bengal army, which it joined in the revolt of 1857, after which territory to the value of £30,000 per annum was restored to Scindiah, the remainder being retained for the cost of the British garrison now maintained at Gwalior. In the case of Scindiah's contingent, therefore, we would propose that, instead of the assignment of jagirs in the Peshawar valley, the total revenue of which is only  $5\frac{1}{2}$  lakhs, and

whose revenue and civil administration, in the western portion at any rate, is, for many reasons, best carried on by ourselves, we should restore to him in full sovereignty territories of a yearly value of, say, £70,000. Such a restoration of ancestral territory, with the honour of garrisoning Peshawar, would richly recompense this highminded Chief for the expense entailed upon him.

The Bhurtpore State comprises an area of nearly 2,000 square miles, with a population of three quarters of a million, and a revenue approaching £300,000. The State is renowned for the desperate resistance it has twice opposed to the British arms. It maintains a force of 6,000 troops and pays no tribute. Jagirs to the amount of £30,000 might be assigned, for the maintenance of the contingent, in the plain country of Eusufzai and Hushtnugger; and all arguments applying in the case of Holkar, and the position proposed for that Chief, would be the same for Bhurtpore.

The total native garrison thus substituted for the British garrison of five regiments of native infantry and two and a half regiments of native cavalry (exclusive of the troops at Nowshera which should not be withdrawn, but, on the contrary, increased by the British troops from Peshawar), would be seven regiments of infantry, five of cavalry, and five batteries of artillery—which force, supported by the Peshawar fort and the Nowshera garrison, and with Rawulpindi in reserve, would be amply adequate for the whole Peshawar district, great as is the military task to be performed there. Thus Bhurtpore would face Swat, Bonair, and the Jaduns; and Scindiah, who would occupy Doaba, or the delta of the Cabul and Swat rivers, in addition to the districts south of the former, would hold in check the Momunds, Bajaor, the Afreadies, and the Orukzaïs. The strength of these tribes is as follows:—

Bonair	...	...	...	...	...	...	4,000
Swat	...	...	...	...	...	...	10,000
Jaduns	...	...	...	...	...	...	5,000
Bajaor	...	...	...	...	...	...	15,000
Mohmunds	...	...	...	...	...	...	20,000
Afreedies	...	...	...	...	...	...	25,000
Orukzaïs	...	...	...	...	...	...	30,000

Or, in round numbers, 100,000 fighting men, of whom however only about half have rifles. Much of the weight of the last two tribes lies upon the Kohat border, and will be borne by the Puttiala Contingent. The people of Swat (who are distinct from the Swatis before mentioned as bordering upon Huzara) are of very low military repute; but, on the other hand, the Eusufzais of Peshawar, our own ill-affected and fanatical subjects, have to be held down, and they can turn out some 15,000 men.

To Puttiala—the Kohat valley, to be garrisoned with three regi-

ments of infantry, one of cavalry, and a light field and a mountain train battery. This is the present strength of the British garrison supplied by the Punjab force, and would be quite sufficient in Puttiala's hands, with the immediate support of Nowshera and the railway, from which, at Attock, it is only ninety miles distant, sixty miles of which can be traversed by water down the Indus. At the same time, to lighten the task, the outlying garrison of Bahadur Kleyl should be transferred to Bunnoo. The communication between Kohat and Peshawar is at present kept open by the Kohat pass (a distance of forty miles) by payment to the Afreedies and Orukzaies of £1,400 per annum for right of way. Under the arrangements proposed, this would be given up. The Kohat pass arrangement, which has everything against it, would not, in future, be necessary, as the support of either Kohat or Peshawar would no longer be the other garrison, but Nowshera and the railway. It was indeed at any time more than probable that, in the event of hostilities, the pass would be closed just at the time it was most wanted, and consequently an alternative line of road round by our territories has always been kept open, and now this would be quite sufficient for postal, telegraphic, and commercial communication.

The Puttiala State has an area of 5,412 miles, a population of nearly two millions, and a revenue of about £400,000 per annum. It maintains about 8,000 troops, and has rendered the British Government important military service in the Ghoorka war of 1815 and in the revolt of 1857. The State, on the other hand, owes its existence to the British Government, which interfered in 1809 with the strong hand to prevent its absorption by Runjeet Singh, the ruler of the Punjab. It was, moreover, nobly rewarded for its military services by large territorial grants. It pays no tribute or contribution of any kind, and should be allotted for part maintenance of its contingent jagirs east of the Indus to the extent of £30,000. This jagir could not be well given in Kohat, because two-fifths of the inhabitants of the district belong to the great tribes of Bungush and Khuttuk, whose relations with the British Government are collectively through their Chiefs, and should continue so; these Chiefs, with their tribal followings, thus remaining, like the Bedlooch Chiefs further south, important integers in the system of frontier defence. There remains then, practically, no territory in the Kohat district which could be given in jagir.

The examples already given show generally the manner in which we would propose to arrange the enlistment of a great Feudatory Chief in the defence of our frontier, and thus to supplement at a small cost our means of defence, and to relieve ourselves of the incubus of large ill-disciplined native armies in the States themselves, to be watched by our troops. The remainder of the Punjab Frontier we would allot as follows :—

*N.B.* The Nawab of Tonk and the Chiefs of the Bedlooh tribes would retain under the above arrangements the same status and duties as now, or, rather, should receive increased position and responsibility and the arrangements for frontier militia would remain exactly as they are at present, care being taken that the new garrisons should not interfere in any way with existing militia dispositions.

Regarding the above States, we may further remark that the revenues quoted for Oodeypore and Jodhpore are merely the net incomes that reach the Chiefs, as much more being enjoyed by their sub-feudatories who give only military service in lieu. In the amounts of their tribute remitted have been calculated their contributions to the Deolee and Erinpoora Forces (consisting each of a regiment of infantry and a squadron of cavalry), which should be absorbed into the Bengal Army. The Gaekwar supplies at present 3,000 irregular horse for service in Kattywar, which contingent under these arrangements might be reduced to 2,000 horse, which would be now amply adequate for the purpose. Under these frontier defence arrangements, the Punjab Force and Sind Force would be included in the general army at the Commander-in-Chief's disposal, adding thus thirteen regiments of infantry and eight-and-a-half regiments of cavalry to the effective strength of the Bengal and Bombay armies. The native artillery of course would come under reduction. Besides this, the long-desired step of the erection of the Punjab and Sind Frontier into a separate Political Agency, unconnected with the Civil Government of the Punjab, would follow naturally in the train of these political arrangements.

We will develop our scheme no further. If unpractical, it would be labour lost ; if practical, then the putting of any portion of it in practice would, in its very operation, suggest the method of its further application. Of course, even if practical in its main features, it will require endless modifications. Such as it is, we offer it to the public to criticise, tear to pieces, condemn, anything—if only they will not throw the question of the utilisation of native chiefs aside, but insist upon the Government adopting in that view some well-considered measure. This much at least is certain, that we cannot go on ruling, holding, and defending India for ever without the active co-operation of the inhabitants. A great Asiatic and European crisis is preparing, for which we must also prepare, in conciliating the people, in strengthening the administration, in developing our military resources, and in putting our finance upon such a footing as to bear the strain. We have just published a pamphlet on the last subject, and Major R. D. Osborn has written another (in 1871) on the remodelling of the native army in view of giving an opening therein to native advancement. In the present brochure we have endeavoured to shadow forth how our native military forces may be supplemented with (for all the greater feudatories) some 50,000 good troops with their proportion of artillery, the dangerous element in the native States being at the same time reduced in a very much greater proportion. For the levies that would remain in the States would be mostly riff-raff, almost helpless militarily without the nucleus of the disciplined troops and artillery proposed to be withdrawn, though still amply adequate for guards, escorts, and other police duties in the States themselves, with the support, if

necessary, of the British garrisons in the neighbourhood. Here, and at all times, we have dwelt on the necessity for drawing closer the bond, political and social, between ourselves and these Chiefs ; for training the scions of the aristocracy to become a strength and a support to our rule ; for free admission of the gentry into the higher ranks of the administration. These are the burning questions of the day in India, and to direct the public attention to these unceasingly is the duty of the Press, as is the suggestion of such measures to this end as may appear feasible. If these measures are insufficient or inapplicable, our object is fully served if others will suggest better ones.

Non eadem ratio est sentire et demere morbos  
Sensus inest cunctis ; tollitur arte malum.

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# INDIAN FINANCE.\*

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## No. I.

THE finances of India are at all times a subject which should interest most Englishmen. When, as at the present hour, those finances must prepare to sustain a heavy war expenditure, entailed by the advance of Russia to the Indian frontiers, it is of peculiar importance to examine their actual soundness and their capability of supporting such future strain.

The revenue and expenditure (ordinary) of India for the last six years have been as follows :—

Year.	Revenue.	Ordinary Expenditure.
1868-69	£49,262,691	£52,036,722
1869-70	50,901,081	50,782,412
1870-71	51,413,686	49,930,696
1871-72	50,109,093	46,984,915
1872-73	50,220,360	48,456,482
1873-74 (present estimate)	49,476,000	47,657,300

Besides the ordinary expenditure, there is what is called an extraordinary expenditure upon reproductive Public Works (principally railways) of from four to five millions a year, raised by loan. For, though surpluses of revenue over ordinary expenditure have been shown for the last four years, these could not be applied to the extraordinary expenditure, as they were more than swallowed up by the deficits of 1866-67—1868-69. Similarly, the anticipated surplus of 1873-74, with two or three more such anticipated surpluses, will be swallowed up by the enormous expenditure—extraordinary only for its amount, not for its cause—on the so-called famine ; an extravagance forced upon India, partly by Sir Cecil Beadon's supineness in 1866, when the crops failed in Orissa, but mainly by a sensational and untruthful press.

These surpluses are, however, fallacious, as we shall presently show. These seductive figures no more denote a soundness in Indian finance than the hectic flush of the consumptive patient indicates

\* Revised from the *Indian Observer* by the Author.



health. The normal condition of that finance is far more justly represented by the balance-sheet of the first year quoted, which, with its two predecessors, reduced the cash balances from thirteen to ten millions (or only two-thirds of the lowest safe figure), and contributed three and a half millions to the Indian debt, which now stands at over £116,000,000, built up mainly by former deficits and by the cost of the great rebellion.

The remarkable feature of this normal deficit is that it comes yearly as a surprise. Each Financial Minister, as he presents his budget, holds the same language—frank confession of deficit in the past, confident anticipation of equilibrium in the future. The minister of 1861 spoke of himself as “firing a last shot into the carcase of deficit,” under the guise of an Indian tiger; as “going into and finishing deficit,” in the likeness of a “huge bully.” In 1863, nevertheless, another Finance Minister refers to deficits in the two preceding years; but does so hopefully, though equally fallaciously, as “the last of the long series of Indian deficits.” Mr. Massey, who followed, estimated yearly for a surplus. Sir R. Temple, in bringing forward his first budget in 1868, said that he had “determined to put an end to deficit.” Notwithstanding all which, in October, 1869, the Government of India came forward with the following public confession:—“Nothing short of a permanent improvement, in the balance now subsisting between our annual income and expenditure, of *at least three millions sterling*, will suffice to place our finances in a really satisfactory condition.”

A pamphlet, written at that time by the well-known apologist of the Indian Government, Dr. Hunter, gave various explanations of this state of things. The only one of his excuses which at all held water was that based on the uncertainty of the “Home Charges”; or, in other words, the expenditure in England of a despotic Secretary of State “whose requirements it is beyond the power of the Indian Finance Minister to limit or foresee.” As Dr. Hunter justly observes, “The fact that a single branch of the national expenditure can suddenly rise above the estimates to the extent of three-quarters of a million sterling, while the Finance Minister is powerless to sanction or forbid the increase, exhibits a disturbing influence in Indian calculations altogether unknown to the Chancellor of the Exchequer.”

But this is the only one of the apologies for the Indian Government that has any weight; in fact, the only other apology really put forward is disappointment in the returns of opium; this being the very item to whose well-known uncertainty India owes its late years of surplus, and which, as we shall show, causes the utter and dangerous unsoundness of Indian finance upon its present basis! The real explanation is that successive Finance Ministers *did* see, but were unable or afraid to suggest remedies for, the necessarily recurring deficits in the yearly transactions. They preferred, while stopping

existing gaps with new loans, to declare each such loan to be the last, and to prophesy smooth things of the coming year's income and expenditure. When, however, in 1869, it came to Government's having to treble the income-tax and suspend all public works in the middle of the financial year, to save the cash balances from further dangerous depletion—because, in the words of the notification which accompanied these measures, "the present year which . . . was to close with a surplus of £52,650, will probably close with an actual deficit of £1,700,000"—Lord Mayo and his advisers thought it time to bestir themselves. The result has been four years of surplus, now turned into deficit by circumstances over which the Government had no control.

Why, then, do we declare these surpluses fallacious, and pronounce to be unsound a finance which can quote such seductive figures? The answer to this requires an exhaustive examination of the items of the Indian balance-sheet; but we will summarise our indictment in a few words. The equilibrium, which should have been sought in an increase of revenue, was obtained by the Government of India in a decrease of expenditure, at a deliberate sacrifice of efficiency. A decrease, moreover, which was necessarily only temporary. Further, between one-fifth and one-sixth of the revenue is derived from a source regarding which all authorities, for the last fifteen years, have been of accord that it may disappear any day! An item which fluctuates to the extent of more than two millions sterling in a year! Whose fluctuations (answerable as they were said to be for preceding deficits) have confessedly contributed the unexpected surpluses of the years 1870-71-72.

For these surpluses were unexpected; not one of them was budgeted for, and they were owing entirely to bounds and leaps in the opium revenue which the Finance Minister confesses himself utterly unable to explain! When the bounds and leaps turn the other way he will, we fear, be equally unable to anticipate or explain them. We submit, therefore, that to depend for between one-seventh and one-eighth of the State income (the *net* proceeds of the opium speculation for 1872) on an item like this, without having a single resource in reserve to supplement its certain proximate failure, is not sound financing but an absolute dependence on luck. This opium revenue was called "our gambler's stake," by a member of the Indian Council in the last income-tax debate. The remark, as merely reasserting an admitted fact, elicited no comment; but how was it that no one stood up to say that the Government of a great Empire had no right to risk its solvency on such a stake?

When we further consider the lowering political horizon—how a possible costly struggle, at all events a state of armed preparedness little less costly, has been entailed on India by a weak and uncertain Central Asian policy—we shall perceive that this is not merely unsound financing, but political improvidence of the most inex-

plicable nature. Or if explicable at all, only on the theory which accounts for most of the political short-sightedness of English statesmen : their power rests upon too temporary and insecure a basis to permit of their dealing with more than the exigencies of the hour.

And yet the exigencies of the future are not so uncertain, or so distant, that a statesman like Lord Northbrook can fail to perceive them. With two clear years before him, it is not yet too late to hope that he may meet these burning questions in a manner worthy of his reputation. The financial statement of April last says of the military force of India :—"For 1874-75 the force is estimated as follows : 6,086 British officers, 60,227 British non-commissioned officers and soldiers ; 3,804 volunteers" (without the semblance of organisation !); "123,474 native commissioned and non-commissioned officers and soldiers ; 13,238 horses, and 394 field guns," —costing net 14½ millions sterling, or 1½ millions less than ten years ago. This force has to garrison 831,963 square miles of British territory with a population of 184 millions ; it has also to hold in awe 153 native chiefs ruling over 565,106 square miles of territory, with a population of forty-eight millions, and maintaining an actual standing force, for the most part certainly a mere rabble, of 64,172 cavalry, 241,036 infantry, 9,390 trained artillerymen, and 3,488 serviceable guns. This force of 314,598 men, and 3,488 guns cannot, in most instances, be reduced without actual breach of treaty engagements, nor in any case without an unwarrantable exercise of the "force majeure," likely to produce great uneasiness and discontent amongst our feudatories. Nor is this all that our 190,000 troops (two-thirds native mercenaries) have to do. They have to watch Burmah and Nepal, against each of which countries we have conducted two campaigns. They have to deal with a North-Western frontier on which we have had twenty-five expeditions already ; whose population can produce, according to the latest official calculation, of the independent Pathan tribes, over 250,000 men capable of bearing arms (besides 60,000 men of independent Belooch, and mixed Belooch and Pathan tribes), at least 60,000 of whom may, under an accepted military hypothesis, be at any moment united against us by some fanatical movement. They have to guard a North-Eastern frontier, on which we have already had the Bhootan and Lushai campaigns, besides several more petty expeditions. They have, moreover, to be ready at any moment to detach large proportions of their strength to wage war against China or Persia, to overthrow a mad despot in Abyssinia, or to chastise fanatical Wahabees in the Persian Gulf. And is it for a moment to be supposed that a military strength confessedly barely adequate to these multifarious duties,—which could not, even with India quiet and her neighbours all at rest (improbable hypothesis in the case of a Russian war), place fifty thousand troops (one-third of them, at least, incompetent

to face Europeans) in line of battle on a threatened frontier—will continue to be considered a sufficient guard for a possession upon which depends our rank among nations?

Of course not. India will be compelled, and that immediately, to set her house in order; to push on her communications, develop her arsenals, fortify the strategical points of the country, mobilise her troops, create a reserve, and augment her European forces. Even if the suggestions brought forward from time to time by the Indian press—for the strengthening of Afghanistan as an outpost, and for remodelling our relations with the Feudatory Chiefs, so as to render their military strength an assistance instead of a hindrance in the defence of the Empire—be now tardily acted upon, it is, nevertheless, evident that a very heavy military expenditure will fall, for many years to come, on the Indian revenues. The nominal equilibrium, then, that has been mainly established by military retrenchment (the surpluses need not be further spoken of, being allowed by the Finance Minister year after year to be unexpected and unaccountable) will disappear in disastrous deficit; unless, indeed, the means can be found of establishing such an increase of revenue as will permit of this augmentation of expenditure, and be independent of the opium speculation. The proceeds of opium should by rights be regarded as unexpected and unaccountable—not merely so far as they furnish the Finance Minister with a nominal surplus, but inasmuch as they contribute to swell the balance-sheet at all.

## No. II.

WE will begin our examination of the Indian Revenue with the item which, as we have before mentioned, contributes between one-fifth and one-sixth of that revenue—*Opium*, £8,684,691 (*Actuals of 1872*).

This is the last relic of those commercial transactions for which, in the seventeenth century, the East India Company of Merchants obtained a monopoly. In the words of Dr. Hunter's pamphlet before quoted, “The Indian Government is a merchant as well as a landholder” (see remarks upon “Land Revenue” hereafter), “and derives part of its income from foreign trade. . . . The Queen's Go-

vernment of India is the successor of a great commercial company. At first that company obtained its profit entirely from trade. It got together every year what was called its Investment, and sent it home to be sold. By degrees it became a landholder as well as a trader. Later in its history it added miscellaneous sources of income ; the customs, the excise, and so forth. As its other revenue increased, its commercial operations were curtailed, but to this day those operations are, in one department, continued." This is the opium monopoly department, costing (Actuals of 1872) £1,813,976, and whose vast operations embrace the annual cultivation of about 500,000 acres of land with poppy ; the extraction and manufacture of the juice into the 50,000 chests of Bengal opium, which is the annual average brought forward for sale consumed in British India ; also the realisation of a duty of £60 per chest on an average of 40,000 chests of opium manufactured for export in the Feudatory States of Central India.

Regarding this trade, the President of the Indian Council recorded the following remarks on the 9th March, 1860 :—"One thing at least is certain, that, since the trade has been legalised" (by the Chinese authorities) "a rapid increase in the cultivation has taken place in China, and the samples which have been received of Chinese production are reported as being not perceptibly inferior in quality to that produced in India. When, therefore, it is borne in mind that it is only by realising a profit of 300 *per cent.* on the manufacture of Bengal opium that our present large revenue has been raised from that source, it would, as it appears to us" (the Indian Government, then addressing the Home Government), "be to neglect ordinary precautions against future difficulty, were we to rely implicitly upon a continuance of that source of revenue at its present rate." And yet this is exactly what the Government of India has been doing up to the present hour !

The Finance Minister, speaking in 1869 regarding this item of his budget, observed : "There is fear that unless the supply can be improved next season the cultivation of the poppy in China itself will be stimulated. For some time past positive accounts have been received of the increase of this culture in China. So it is clear that, unless Bengal produces enough opium, the Chinese will raise it for themselves. And if the Chinese *will* have opium, they may as well get it first-rate from us as second-rate at home, and they may as well consume it taxed as untaxed. Again, if they do not procure it from us, they might procure it from other countries of Asia. The culture of the poppy in Persia is increasing, and some 4,000 chests are exported annually from that country to China." Again, in 1871, we find the Finance Minister recurring to the increasing Chinese cultivation as affecting the price of the Indian drug. In fact, it must be patent to any comprehension that the Chinese article, home-grown and untaxed, must eventually beat out of the market im-

ported opium, which has paid the monopolist a profit of 300 per cent. before it leaves the Indian shores.

But it is not so immediately the rivalry of the Chinese producer we have to dread—whether as diminishing the amount of our export or (equally fatal) reducing its price to an unremunerative point—as the action of the Chinese Government. It is hardly to be seriously assumed in a financial fore-cast that the Celestials will always go on cutting off their noses to spite their faces. Hitherto the Chinese Government has been in the sulks. It did not want to admit our opium into its ports, or to permit the consumption of the drug to its subjects. Forced by our artillery to remove the prohibitions to its entrance, China has declined hitherto to recognise that it enters ; she has got, however, so far as to accept the fact of the consumption in winking at its cultivation by the people. How long will it be before she takes the further step of recognising that it forms a large item of her imports, and taxing it accordingly ?—or even the yet more advanced measure of crippling her domineering neighbour by imposing prohibitive duties on foreign opium, and encouraging instead of opposing the domestic culture of the poppy ? We could hardly undertake to dragoon her into regulating her tariff or her domestic policy according to the exigencies of our Budget ! Even if she merely imposed an excise all round on home-grown and foreign opium, as was proposed by her in 1869, it would be sufficient ground for the Indian Government to say, as it said in its notification of October in that year—"the accounts from China are not favourable to our revenue, and all authorities concur in considering the prospects most unpromising."

*Customs, £2,563,890 (Actuals of 1872).*—This important item cannot form the subject of much self-gratulation to the Indian financier. The import and export trade of India certainly rose between 1839 and 1859 from sixteen to sixty millions, and during the next ten years to one hundred millions, but this included imports of treasure and Government stores, and the real total values of imports and exports of merchandise for the last five years are as follows :—

	Imports.	Exports.	Total.
1868-69	..	—	89 millions
1869-70	..	—	85½ "
1870-71	..	33½	88½ "
1871-72	..	31	94 "
1872-73	..	35	91½ "

It must be remembered that more than one-fifth of these export values (on an average) represents the exports of 90,000 chests of opium yearly, three-fifths of which is the Government's own manufacture. The Customs income upon the values above quoted has remained much the same throughout, through revision of tariff valuations. During the preceding years great reductions took

place in the tariff; numbers of items were removed therefrom, and the rates were gradually lowered in nine years from 20 per cent., and 10 per cent. in Mr. Wilson's time (after the mutiny), to  $7\frac{1}{2}$  and 5 per cent., the present rates. It must soon, however, be further reduced. The great object is to increase the export trade and thereby arrange for the annual remittance of India's great debt to England. This remittance amounted for 1873 to £13,280,700, on which there was a loss by exchange of £985,700, making a total charge in the Indian Budget on this account, of £14,266,400. As no great average improvement, but probably the reverse, may be otherwise expected in the rates of exchange, it is of the last importance to augment the amount due in cash from Europe to India on account of the latter's produce. It is evidently, therefore, economically unwise to go on taxing India's exports; and how long will Manchester permit India to tax piece goods, twists, etc., the only important dutiable items in her imports?

*Salt, £6,165,630 (Actuals of 1872).*—This is another monopoly of the Indian Government, and is of three principal kinds—Rock salt from the Punjab, "Sambuhr," salt from a lake in the Feudatory State of Jeyapore and seaborne Cheshire salt. The cost is unequal, the duty ranging from 6s. 6d. the maund (80 pounds) in Bengal and 6s. the maund in the North-Western Provinces, the Central Provinces, and the Punjab, to 3s.  $7\frac{1}{2}$ d. the maund in Madras and Bombay. This entails preventive lines of a total length of 2,700 miles, employing 16,000 ill-paid, corrupt, and oppressive watchmen, at a cost of £200,000 a year (the total cost of the salt monopoly averages £470,000 a year), and forming, as admitted by the Government, "one of the most serious evils from which the country now suffers."

The consumption of salt in India is generally admitted to be much less than it might be were the duties lowered; though, at the same time, it is not too small for health. In Madras and Bombay, where the duty a few years ago was only 3s. the maund, 60 millions of people consumed 9 millions of maunds of salt in the year; whereas in Upper India 70 millions of people only used 6,900,000 maunds. When the duties are equalised throughout India to the present southern standard of 3s.  $7\frac{1}{2}$ d. the maund—even did the consumption rise in Upper India and Bengal to the southern rate of 12 lbs. a head—a considerable loss of revenue must result. With the facilities for communication increasing at their present rapid rate, it will be simply impossible to maintain much longer the existing inequalities; but, as remarked in the Indian Council during the debate on the Budget in 1872, the manner of their removal "is a most difficult problem, the solution of which will probably involve the sacrifice of considerable present revenue." Recent legislation has made a partial attempt to this end, and it remains to be seen what will be the result.

*Excise, £2,323,788 (Actuals of 1872).*—This is, at all events, a

good, sound, improving source of revenue. It has shown an increase of £150,000 in the last two years alone ; nor, as in the case of customs or salt, is there any ground to doubt its continued expansion. It is raised, not merely by a tax on sales, wholesale and retail, but actually, for the most part, by the profit on the manufacture of the liquor itself in Government distilleries established in all the collectorates. The liquor is sold to wholesale and retail licensees whom the excise staff encourage and assist in every possible way, with the result of the yearly development of the revenue before-mentioned ! The principle is of course the same as that enunciated by the Finance Minister before quoted regarding opium, viz., that if people will intoxicate themselves they may as well have the wherewithal good, and taxed, from the Indian Government.

*Stamps, Law, and Justice, £3,001,198 (Actuals of 1872).*—These heads, as remarked in the last financial statement, must be considered together, and show, year after year, a sufficiently gratifying development. Up to 1860 the highest annual sum received from stamps was £722,156. Then came the flood of Chief Courts and barristers, and English ideas of law, poured pell-mell on to a semi-barbarous society. And in seven years this revenue rose to two millions per annum. Like all the Revenue heads of account considered yet, except Customs, this income is drawn almost entirely from the poor, and is, like two of those, derived from intoxication ; i.e., the intoxicating spirit of litigation with which our system is demoralising the people of Hindooostan. It is impossible here to go into the statistics on which this statement is based, but it may be mentioned that, for 1873, the returns of Upper India show a lawsuit for every 140 persons ! The expenditure under these heads is £2,314,276 (actuals of 1872) ; the net proceeds are therefore under £700,000, which, when the produce of commercial stamps is considered, does not probably leave ground for supposing that the Government of India makes an actual cash profit out of this litigation. But the ability to maintain liberal establishments is one of the main objects of raising revenue, with governments as with private persons ; and it is needless to demonstrate that the stamp revenue, though thus spent and not saved for other purposes by the Government of India, is a source of profit thereto. Whether such a profit be justifiable or not is another question. It is certain that litigation might be very easily diminished by a few simple measures which have been frequently canvassed in India.

We have now examined all the main heads of Indian income, except land revenue, which alone provides two-fifths of the income. As it is upon this item, and one or two subordinate propositions, that our suggestions for the rehabilitation of Indian finance are based, we will leave its discussion to the last, and will meanwhile cursorily notice a few of the principal heads of expenditure.

## No. III.

To begin with the *per contra*s to the items of Revenue already noticed. It has been mentioned that the Opium Department costs £1,814,268, or nearly 20 per cent. of the proceeds of that branch of the revenue. Suppose China to put on a duty of only equal amount, (we tax China tea more heavily in England) then, with the inevitable depression of prices consequent on extension of the Chinese culture,—if that depression extended only to 25 per cent. of present average prices (a fluctuation which has been already seen),—we should have the proceeds of the monopoly diminished nearly one-half (or by some four millions sterling) while its cost remained invariable, being in no way affected by the fluctuations in the price of the drug.

The Salt monopoly costs nearly half a million, or about  $7\frac{1}{2}$  per cent. upon its proceeds. As more than two-fifths of this sum is the cost of the enormous preventive establishment, necessitated mainly by the great difference of duty between the various provinces, it may be expected to greatly diminish when the duties are equalised. But as the equalisation will have to be *downwards* to the extent of at least 33 per cent. on the salt revenue of Bengal and Upper India—at a loss of revenue estimated at about a million sterling—the incidence of expenditure on income may be expected to remain nearly the same. The expenditure, a little over £300,000, under the heads of Customs and Excise, is also moderate, being at about the rate of  $6\frac{1}{2}$  per cent. on the total income of five millions under those heads. That under Stamps and Law and Justice has been already noticed, being in fact the cost of a great branch of the administration. There are several other items, however, which do not contrast so favourably with their corresponding credit heads. For instance, Post Office and Telegraph (£1,174,767) cost considerably more than they yield (£830,114), Loss by Exchange (£765,109) exceeds gain by Exchange by nearly half a million, even in 1872, since which year the remittances to the Secretary of State have greatly increased. Expenditure on Forests (£392,838) swallows up the greater portion of the revenue therefrom (£570,337). Finally, allowances and assignments under treaties and engagements (£1,769,890) amount to two and a half times the sum received, similarly under treaties and engagements, as tribute (£741,465).

But the really great items of expenditure (in the Actuals of 1872) which we have to consider are the Military (£15,503,612), Administrative (£10,687,236), Public Works (£6,514,197), and Interest (£7,967,959) heads; the first, third and fourth of which have counterbalancing credit heads, as follows:—Army, £906,853; Pub-

lic Works, £505,635, Interest, £506,779. Of these heads of expenditure, that of "Army," large as it appears, is by the consent of all experts inadequate to the maintenance of efficiency even for present purposes. And how inadequate the army, on its present footing, even if efficient, would be, for contingencies which may proximately arise—and for which it is madness not to begin to prepare—we have already shown. But the expenditure, cut down as it has been Budget after Budget, to meet financial exigencies, does not represent that required even for present efficiency. For example, there are no reserves of any description, no means of filling up the ranks of a crippled army or supporting a beaten one. As it was in the days of our great struggle with the Seikhs—when, on the morning of the 22nd December, 1845, the Sikh Reserve prepared to renew with our exhausted army the battle of the previous day, and the fate of India trembled in the balance—so it is now; our Indian Empire is staked upon the single army (strength, 30,000, 40,000, 50,000 men, according to the sanguine, or otherwise, temperament of the estimator), which the Indian Government could get together on an emergency. Let the adversary beat or cripple that army, and he is master of the destinies of India. Again, the present pay of the Native Infantry is not proportionate to the depreciation in the value of money and to the improvement in the position of the agriculturist—as is demonstrated by the difficulty experienced in recruiting the stamp of men that the Native Regiments require. The Native Cavalry cannot continue to mount themselves efficiently much longer on the present rates of horse allowance, nor to maintain (which, indeed, they no longer do save in theory) their own carriage, so as to be always on a marching footing. The army is not mobilised, and, in case of the smallest move, procuring carriage becomes a most serious affair, even in the plains; while for hill warfare, which we must expect most of our future campaigns in India to be, there is not the slightest provision in the way of mule trains and transport corps. There is no ambulance whatever, and a most inadequate supply of draught cattle (bullocks and elephants) for the trains and parks; while Cavalry and Artillery remounts are conspicuous by their absence—nor could the undersized country cattle supply the deficiency even on a pinch.

In the length and breadth of India there is not a defensible fortress or place of arms, except the venerable Fort William at Calcutta. The very arsenals are practically undefended, and some of them—notably the great arsenal of the Punjab at Ferozepore—are not even connected with the railway system. The railways have not been yet in any way adapted for military purposes, and it will be years before the gaps in the system are filled up or the lines carried on to the frontier. In short, the deficiencies in the Indian defensive system would fill a volume; but enough has been said to show why the minds of all thinking military men are filled with

despondency and apprehension of the utter collapse which would ensue upon any strain that befel that system; enough, too, we submit, to justify the assertion, made at an early stage of this disquisition, that, as regards the  $1\frac{1}{2}$  millions retrenched from the army, the decrease of expenditure which has produced financial equilibrium has been obtained by a sacrifice of efficiency. We before attempted to show that such decrease was necessarily, as then affirmed, only temporary. An admirable scheme has, however, been propounded for the creation of a native army reserve, and a slight increase of pay will suffice to attract recruits to that army as before. Australia is an inexhaustible source of excellent remounts for the artillery and European cavalry. The means for creating excellent transport trains abound in India itself. In short, there can be no difficulty whatever, *with a little time*, in putting our Indian Empire into a defensible condition, and reorganising our Indian army on a thoroughly serviceable basis. But this needs money; a special outlay of several millions, and a large permanent increase to the military budget; and to provide this we must have an elastic revenue based upon *certain* sources, in lieu of an inelastic one of which nearly seven millions (net) proceed from the Government's "gambler's stake."

The Public Works items (£6,514,197) as massed by us (which do not include an average of  $1\frac{1}{2}$  millions spent upon "ordinary" Public Works from local revenues, that is, from cesses imposed by the Provincial Governments yielding an average income of  $3\frac{1}{2}$  millions not included in the statements of Imperial revenue) embrace both the ordinary working expenses of the Government in this department, (whether under "Imperial" or "Provincial Service" heads) such as administration, repairs and necessary constructions, barracks, roads, and so forth, and "reproductive works," as they are termed, such as canals and railways. The outlay on both the latter for 1872 was only £2,110,501, but the Government of India has determined to lay out in the current and ensuing three years  $5\frac{1}{2}$  millions on canals and 12 millions on railways, in addition to  $7\frac{1}{2}$  millions and  $5\frac{1}{2}$  millions respectively, already spent upon these Public Works,—(96 millions has been hitherto spent by guaranteed companies, and  $4\frac{1}{2}$  millions by the Government, on the construction of railways belonging to those companies,—whose guaranteed dividends at 5 per cent. cost the Government over two millions a year after taking credit for the net traffic receipts). How far outlay upon canals in India can be called "reproductive" expenditure may be judged from the fact that in Upper India, at any rate, there are but two canals (both old native ones) that do more than pay their working expenses and the interest on the capital sunk. Those in Bengal, constructed after the Orissa Famine, not only pay neither of the above, but according to the late Lieutenant-Governor *not even the cost of collection of their own income*. Some more are nevertheless about to be constructed

there, in deference to the outcry of the British press regarding the famine ! On the general subject Sir George Campbell remarked, in the Budget debate of April 1872, that—" He viewed with considerable apprehension the new system of loans for extraordinary disbursements . . . it could not be said that all these extraordinary Public Works were certain to be successful as commercial speculations. The estimates of revenue must be made entirely anew from better materials before they could be depended on." The actual figures for the whole canals of the Bengal Presidency, *i.e.*, British India, excluding the provinces of Madras and Bombay, are given in this year's financial statement, as follows :—

Total outlay on canals now working, to end of 1873	£7,416,000
Estimated gross revenue for 1874	...     ...     ...     £473,400
"     working expenses	...     ...     ...     £293,686
"     net revenue	...     ...     ...     £179,714
or 2½ per cent. on outlay!	

" If the sum of £138,437, increased Land Revenue attributed to these canals, be added, the net return is £318,151, or a fraction over 4½ per cent. on the capital." But such a principle is evidently absurd ; communications improve the value of the land, and, consequently, the revenue at which it is assessed—by parity of reasoning, therefore, a portion of the Land Revenue should be credited as *per contra* to the outlay on roads and bridges, or to that on railways ! Putting out of the question such financial juggles, the net return of the Indian canals is 2½ per cent. on outlay, and yet these are called " reproductive works," to be constructed on loans !

In point of fact, as Sir George Campbell observed in the same speech, outlay (whether necessary or flagitiously forced upon India) made to save the country from famine is like expenditure to meet famines, part of the ordinary expense of the administration ; and to claim credit for a financial equilibrium, while meeting such outlay by loans, is to take advantage of the ignorance of the public. This is one of the grounds on which we have called the Indian Government's estimates fallacious and its finance unsound. Another ground is that the outlay now in course of being made upon railways (though most necessary) is not reproductive ; unless, by an abuse of terms, any speculation that pays any return—however inadequate to cover working expenses and a fair interest on outlay—is so called. Most of the lines are military necessities, but, even if economically constructed, could never have been anything but a financial loss. Their construction has, however, been attended so far with a waste and recklessness which do not augur well for future economy ; and it is improbable that the Peshawur and Sind Valley lines, at any rate, will ever do much more than pay their working expenses.

For three years past the Government has been maintaining two full establishments for the construction of these railways—whose

gauge is only now decided ! On the Peshawur line, the great western highroad was taken possession of for the line, to show economy in the estimates in the matter of cuttings and embankments in a difficult country. After impeding the traffic for three years, this scheme has to be abandoned, together with the bridges already built upon the line. Embankments and bridges and culverts, built everywhere for narrow gauge, have to be re-constructed to suit a gauge two feet wider, and so forth ; a long story of mismanagement, all justifying the charge of recklessness and extravagance. As regards the reproductive ness of these works, even if economically constructed, we need merely remark that the Sind, Punjab, and Delhi Railway (of which the Indus Valley line will be the continuation from the Punjab Frontier to the sea coast at Kurrachee), which carries the whole traffic of the Punjab, pays only  $2\frac{1}{2}$  per cent. on the capital sunk. It is not likely, therefore, that its extension could do more ; its branch to Peshawur—which leads nowhere—is hardly likely to do as much, and will, in fact, do well if it pays its working expenses. These, however, are no arguments against the construction of the lines, which are absolute military necessities. Our protest is merely against the misrepresentation of such in the financial statements, as reproductive works, in order to justify their construction by special loans.

We before observed that expenditure to meet or to prevent famine was equally part of the "ordinary" burden on the Indian finances. On this head we will quote the last financial exposition of the Government of India :—"Drought, which is the cause of all serious famines in India, cannot be regarded as an extraordinary visitation . . . Such being the facts it would not be safe to depend upon loans for future charges on account of famines, some such charges must be looked upon as contingencies to be expected to recur with more or less regularity." The notification goes on to speak of the expenditure upon Public Works which is to mitigate the results of periodical failures of rain. It, however, in the same breath speaks of works thus compulsorily constructed as "reproductive," which could only be were the failure in the rainfall *annual*, and the people thus driven to take canal water. In the recent "Canals Act" the Government of India actually inserted a clause for charging the people for the water, whether they took it or not ! But the Home Government disallowed it.

Administration (£10,687,236) represents a variety of charges, which are steadily increasing, and which are hardly susceptible, even if the Indian Government went the right way about it, of material decrease. Of these, "Provincial Services," which we have included (less Provincial Public Works expenditure, already included under Public Works), under this head, have a stereotyped maximum, which, if exceeded, is exceeded by means raised from local taxation, to the extent already of  $3\frac{1}{2}$  millions, without affecting the Imperial

balance sheet. "Pensions" must unavoidably increase. The ecclesiastical and medical heads do not appear susceptible of much economy, nor that of absentee allowances. "Minor Departments" and "Political Agencies" would both indubitably bear the shears. The former represent mostly various developments of "eyewash," as it is the fashion to term sham progress in India. The latter are the cost of a vast amount of meddling with the feudatory Chiefs, which would be much better left alone. Native gentlemen are better adapted for all the really desirable objects of the maintenance of representative agencies at such Courts, and are not so gallingly in evidence before Chiefs and people of the subjection of the former to a foreign Power. "Land Revenue" and "Administration" might also, by a similar employment of native agency in the higher grades, be rendered more economical. Such native agency certainly is already almost solely employed in the lower grades, but the manner in which it is being slowly extended to the higher is one certain to defeat its own object, undesirable natives are being employed at the same high cost as is necessarily paid for European agency, and with no further test of their efficiency than the capability to pass a competitive examination in England. When, instead of this, the native gentry are admitted into the administration by selection in India, that administration will be strengthened instead of, as under the present system, weakened, and will be susceptible of being conducted far more economically.

Interest (£7,967,959) includes £5,223,999, interest on a capital debt of £116,143,224, and £2,110,501 guaranteed interest (less net traffic receipts) on a railway capital of ninety-six millions expended upon 5,140 miles of open railway (which have also cost the Government of India, in providing the land and supervision, net 4½ millions). The remainder is interest on unfunded debt, service funds, and other accounts. This head of charge might have been very much less, but for the short-sighted policy which refused the British guarantee to loans raised by a portion of the British Empire which England never would give up, if it cost her the 210 millions already owed twice over to retain it. It is useless, however, to discuss this point further, especially as it is evident that a clearer apprehension of the question is beginning now to be formed in official and commercial circles. If this debt could stop here, the burden would, of course, gradually diminish; but unfortunately it is not only being yearly added to by the deficits caused by mis-called extraordinary expenditure, but must, as we have shown, ere long be swelled by a largely increased military expenditure, and by some certain, and great probable, diminution of income, unless, indeed, the means can be found to meet these by increased taxation.

This brings us to the last portion of our subject—namely, the examination of the means of re-habilitating the Indian revenues. So far we have trod our ground with an assured confidence, but, in

offering suggestions on a subject so difficult, we write with a diffidence no less in degree. Nor in fact have we data whereon to offer specific suggestions; we can only indicate generally our views, or rather our reasons for agreement in views which have been again and again brought forward by men entitled to be heard. With an actual yearly deficit of greater or less amount, with a seventh of the Indian income depending upon a "gambler's stake," with a military strength in India utterly inadequate to more than its immediate work, and with every human probability of vastly greater work being thrown upon it,—it is, indeed, time again, as in 1860, as in 1869, to look the financial position fairly in the face, and to seek some means of developing these inelastic Indian revenues.

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#### No. IV.

*Land Revenue, £21,348,669 (Actuals of 1872).*—In India the great aim of the financier is the pockets of the mercantile, but his principal dependence will always be on the earnings of the agricultural classes; and the simplest and most direct method of reaching the latter is by taking a share of the produce of the land. Consequently, an oriental hypothesis vests the proprietary right in the whole land of the country in the State, which lets it out to the actual holders at a rent of from one-half to one-third of the produce taken either—

1. In kind, by actual division of the crop.
2. In money, by appraisement of the standing crop.
3. By a lump cash assessment on the total area, cultivated and uncultivated, based on the average outturn of the former, and fixed either for a term of years or, in our own case only, in perpetuity.

It may well be imagined that the first method is so primitive and inconvenient as to have been long abandoned, even by most native States. Many of those, however, have not gone beyond various modifications of No. 2—preferring a system under which the State shares the profit and loss of the landholders to a fixed demand as in No. 3. In the latter, practically, the State, while debarred from sharing the landholder's profits in good years, has to make heavy remissions in bad ones, when the improvident Indian peasant has never any reserve from which to pay his revenue. For here it may

be remarked that the most despotic native government has never, like ourselves, carried out the State proprietary theory to its logical conclusion, and sold up and evicted the holder of the land for balances accruing thereon. This course on our part, supported, be it understood, by the most unimpugnable arguments, created in the early days the most extraordinary bouleversement, reduced landed property to a drug in the market, and might easily have terminated in risings and disturbances (as have other symmetrical theories of Indian Government), had it not been eased off into the less severely logical procedure of sequestering the proceeds of estates for a time, instead of putting the tenures themselves up to auction.

The fact really is that this theory, like most others, is modified by circumstances ; and the land no more belongs to the Government than Pharaoh would have found the soil of Egypt belong to him had he commenced evicting on his deeds of sale. See "Harrington's Analysis," p. 329, where the Nazim (Native Governor) of Behar deposes—"The Emperor" (of Hindustan) "is proprietor of the revenue issuing out of the territory under his authority, but he is not the proprietor of the soil. Hence it is that when he grants *Aymas*, *Altumghas*, and *Jagirs*" (various descriptions of assignments of the Crown's right in land) "he only transfers the revenue from himself to the grantee." Mr. Mill in his "Political Economy," B. II., ch. IX., para. 4, has pointed out with sufficient exactness the real relations of the Government with the soil ; though in his *ex cathedra* way he has asserted the existence of but one intermediate right, a blunder into which he is led by "the philosophical historian of India" his father. The Oudh rebellion, in 1857, made the Indian Government recant *that* error, into which it had followed the philosophers, and brought it back once again into the way which seems so impossible for Anglo Indian statesmen to follow, *i.e.*, that of taking things as they are, instead of as they logically should be.

To return to the three methods of collection ; a relative view of the first two cannot be better given than in the following extract from a report on the Administration of the Native State of Bhawulpore by British officers during its Ruler's minority :— "Taking the State share in grain will do for a small estate, but when it is carried out on a large scale, it is as detrimental to the interests of the State as to those of the landholders. It makes the State the great corn factor of the country, demoralises the officials, necessitates the payment of salaries partly in cash and partly in grain ; and we are not always able to realise our assets for want of carriage. At the present moment" (written in 1867) "we have more than four lakhs' worth of grain in our granaries, which we cannot hope to realise for the next six months. As to the landholders—the restrictions on the removal of grain, the host of petty officials who all have their perquisites, the want of a feeling of proprietorship, all tend to lower their status." The inference drawn

from the above was the advantage of yearly taking the equivalent of the State share of the produce in cash ; a method which—if the realisation of the demand is postponed sufficiently to allow of the landholder's selling his produce without being forced into a glutted market, and if the equivalent is assessed on a fairly low estimate of the yield per acre and of market rates—is certainly the fairest and simplest method of realising the revenue that can be found. But it is, of course, a hand-to-mouth system, leaving the landholder little inducement to improve his estate or extend his cultivation.

The advantages of the third system, which far outweigh the disadvantages when the terms are long, are : (1) increase of cultivated area and higher farming, from which result enhanced prosperity of the population and decreased danger of famines ; (2) facility of estimating and realising the revenue, diminution of interference with the landholders by the officials, and securer sense of property in the former ; and (3) periodical increase of revenue. A landholder, with a thirty years' lease, will regard the untaxed enjoyment of the results of his improvements during the term of his lease and life as outweighing the enhanced revenue his successor will have to pay on account of those improvements after the lease's expiry ; though possibly the individual in possession may relax his exertions during the last five years of a lease, or even throw a portion of his land out of cultivation. And the advantage to the Government of such fixed terms is that it does not—what no private landholder would dream of—forego the claim which a proprietor has to share in the result of the improvement of his estate, though not effected by himself ; just as he shares, by the inherent right of property, in the ordinary outturn of the land, though not produced by himself.

To amplify Mr. Mill's argument (B. II., Ch. XVI., para. 6) we may state the above proposition as follows :—The land is an instrument of a certain efficiency, and the revenue paid to the Government as a condition of its possession is the hire of it proportioned to that efficiency. The hirer, by a certain outlay on the instrument, improves its efficiency, and it becomes worth a greater hire. For this increased efficiency it does the hirer more work ; but the hirer requires an interest on his outlay, and if this be given in some diminution of his new rate of hire, it is all he can require, while retaining possession of the instrument ; for, supposing the ratios of result and hire to be equal, the more hire he pays the richer man he grows. Native Governments, instead of taking hire for the use of the instrument, take an actual share of its results as they accrue ; either temporarily reducing that share in compensation for the user's improvements ; or, more often, sharing the cost of those improvements. The argument remains the same, and it is only by actually giving up the hypothesis, universally accepted in the East, that the land is an instrument belonging to the Government and only on hire with the holder (though the holder is not

liable to be deprived of it while paying its hire), that the right to enhance the hire, while giving the holder his interest on outlay for improvements can be foregone. If it be urged that the existence of an instrument lent on hire but which cannot be reclaimed, and in which the holder has a vested right, is a theoretical anomaly, we can only reply that it is a practical fact, as shown by the extensive existence of similar anomalous relations between the landholders and tenants with permanent occupancy rights (whose tenures are heritable, saleable, and mortgageable), and that the Indian Government has to do with facts and not with the symmetry of theories. The right of fair enhancement of the hire of such instrument has also its parallel in the fully-admitted right of the landholders to enhance the rent of the above-mentioned tenures in such degree as may be decided by the law courts (if the enhancement is contested) to be equitable and proper.

Private proprietors in India have assigned and do assign away, upon quit rents (as the British and all other Governments in India have done and do with the Crown waste lands), tracts of land which they were hopeless of otherwise rendering profitable. But it was reserved for the bold theorists of the Cornwallis Government to disregard the fact that, while the estates they were leasing in perpetuity were certain to improve, and their outturn to indefinitely increase, the relative value of money to produce and labour would steadily fall. Thus, while divesting their successors of the right to share in the prosperity and improvement created by their own administrative measures,—such as communications, police, harbours, postal arrangements, telegraphs, European commerce, and to profit by the increased value of the estates arising from confidence in the strength and stability of the Government, they actually left them sufferers by the prosperity so created, in the depreciation of the value of their revenues more than cent per cent, following on the fall in the value of money. Mr. Mill, however, in his strictures on the Permanent Settlement, has missed both this blot and another, viz., that the settlement itself was made on ludicrously insufficient data regarding the then value of the estates leased. On the first head Mr. Ross D. Mangles observed in his dissent from the extension of the Permanent Settlement (printed by order of the House of Commons, 21st July, 1862):—"I earnestly deprecate a measure the avowed object of which is to shut out the State . . . from participating at any future period in the increased money value of the produce of the soil. Its land revenue will be fixed for ever by a standard, the relation of which to labour of all kinds, intellectual as well as physical, to the food of its soldiers, and to many other objects of public expenditure, will be continually falling" (a fall now estimated by the Lieutenant-Governor of Bengal at the rate of 50 per cent. in a generation; at such an enormously rapid rate are wages and prices rising). Such, however, is the measure which for

eighty years past has deprived the State of its natural increment of revenue from the largest, most populous, and richest of the Indian provinces—Bengal.

What do you do for the land, asks Manchester, in return for the 21<sup>3</sup>/rd millions you take from it? We answer—protect and govern it, without which it would be valueless. Dinkur Rao, late Prime Minister of the great feudatory State of Gwalior, was asked the value of land about Agra. "So many years' purchase." And about Gwalior? "Oh, it has no value." This is what we have done. By strong and equitable government, by railways, canals and roads, by the prestige attained in one hundred years of conflict, by enormous expenditure of blood and treasure, by Christian self-denial and uprightness, by laborious, earnest, and self-sacrificing straining after the country's good, we have given the valueless soil a high and yearly increasing value; and our right to share in this result in our largest and richest province we have sacrificed to theory! Having so sacrificed it, is it possible to controvert the truth of the indictment thus laid by an able journal, the *Indian Economist*— "Every shilling expended by the State on works of improvement in Bengal since A.D. 1792 has been a plain fraud upon the rest of India, because we abandoned in that province, in that year, all right to share in the increased value of the soil." Nor does this convey the whole indictment. Insomuch as Bengal does not contribute in its fair proportion to the Imperial expenditure for defence, &c.,—and this failure has necessitated, or may necessitate, the imposition of general taxation (such as the income-tax) to meet the deficiency in the revenues arising therefrom—to that extent (less the amount of such taxation falling upon Bengal itself) has the rest of India been, and will still continue to be, defrauded.

But with peoples like those of India, reprehensibly ignorant of the elements of political economy, the imposition of *unaccustomed* taxation (an understood and accepted burden like enhancement of land revenue they will bear to any bearable extent) is a dangerous thing; and this is another evil that we owe to the reckless assignment away of the State share of the improvement in the produce of Bengal. That such assignment forces us into impolitic demands upon the population of India is recognised in the speech of Sir Henry Durand in one of the earlier Income-tax debates of the Indian Council:—"which (the income-tax) was, he believed, justly designated as odious to the people; and, if it were not for the existence of Permanent Settlements of land in some provinces, he could not have agreed to the imposition of an income-tax. But *so long as our Permanent Settlement was in force* he felt the necessity for some such measure." That able statesman perforce accepted with its dangers the position thus described in the *Calcutta Review* of July 1869: "Former Governments have alienated to private landholders a large portion of the rent which should have been held in trust for

the public, and a handful of foreign rulers now find it perilous to multiply demands on a people remarkable for their ignorant impatience of taxation."

Feeling the folly, the inequity, and the dangerous results of this well-intentioned but insane piece of legislation of the Cornwallis Government—and also the utter unjustifiability of that Government's thus tying the hands of all its successors,—various Indian statesmen have put forward suggestions for evading its consequences. These, like most half measures, have all the disadvantages without the advantages of the thorough measure they would shirk. As was pointed out by the opponents of the income-tax, the Permanent Settlement is regarded now—and was, no doubt, so intended at the time it was made—as having been a final release from all further demands on the landholders' incomes. To impose income-tax upon incomes accruing under the Permanent Settlement (or, indeed, *within its term*, under any settlement) was, and would be regarded, European casuistry notwithstanding, as a distinct breach of faith, which the landholders would resist if they dared; as, indeed, they now regard the various local cesses added on as a percentage to their settlement assessments. It may, no doubt, be clear to us, as stated in the *Calcutta Review* of January, 1869, that "the settlement guaranteed the zemindars against all further taxation *quâ zemindars*" (landholders) "but did not guarantee them against future taxation equally imposed upon all classes." But, unfortunately, this inability to understand that what is reasonable to us may not be equally so to a different race, looking at the matter from a different stand-point, is at the bottom of all our legislative and administrative blunders. To be right is not sufficient for us in India; we must be *admitted* to be right, or else be prepared to change the argument "we do it because it is right" into "it is right because we do it."

## NO. V.

THE imposition of local cesses—percentages on the fixed assessments, levied in addition thereto—for provincial expenditure is an evasion of the Permanent Settlement that has been already carried into effect. The principle was thus enunciated in the Indian Council, on the 19th November, 1869, by the present Lieutenant-Governor of the North-West Provinces:—"Above all things, I believe

it to be necessary that . . . the imperial revenues shall not be expended for purely provincial purposes ; that provincial roads, schools, works of sanitary improvement, and so forth, must be provided for from provincial resources, and not from the income of the State." This was a pendant of the scheme of partial decentralisation of finance then brought forward ; or rather that meagre and ineffective measure was really a means to the end of levying these cesses. A real decentralisation, which would have made the finance of each province stand upon its own bottom—reserving to the Imperial Government, wherewith to meet Imperial expenditure and to supplement the deficits of particular provinces, merely the income under the general heads of monopolies, customs, excise, and tribute, and also a contribution for imperial purposes from each province in proportion to its wealth—would have had some meaning. It is, we believe, the one thing necessary for really placing Indian finance upon a solid basis ; bringing, as it certainly would, in its train the measures on which we shall presently touch. But a mockery of decentralisation, like that described in the Budget Statement for 1871—which surrenders to the local Governments the proceeds of jail manufactures, the police contributions of municipalities and railway companies, the proceeds of school fees and of sale of school books (total under three-fourths of a million among *eight* local Governments !), and which allots each of them from the total revenues of the empire a fixed annual sum for expenditure on jails, registration, police, education, medical services, printing, roads, other than military, and civil buildings,—which sum of  $4\frac{3}{4}$  millions for all the Governments, if exceeded, must be supplemented by the local cesses before mentioned—cannot be called decentralisation of finance save by an abuse of terms. Here, again, the *Indian Economist*, before mentioned, had some remarks exactly to the point. "The provinces will very justly object to such a proposal. Let the Supreme Government abandon to them their own revenues, and they will gladly cease all demands upon it for expenditure of a local character. The Imperial Government is entitled to reserve, for Imperial purposes, all duties that fall with equal incidence upon the Empire, but no more ; . . . local independence and local responsibility can find their just expression only in a system of local budgets. . . . The decentralisation of Indian Finance that is worth anything means decentralisation of the same order as that which exists in the United States. . . . A certain amount of uniformity would be maintained under the operation of general principles and oversight of the Supreme Government, while the whole system of meddlesome interference that now paralyses everything would go by the board. On the one hand, there would be no pestering the Supreme Government for impossible grants, nor, on the other, irritating refusal to sanction improvements of the necessity of which the Supreme Government knows nothing."

Such decentralisation must, of course, always be subject to the proviso contained in these words of Sir Bartle Frere : "While, however, I had always advocated the utmost latitude being allowed, not only to all Governments but to all local administrations, regarding all local affairs, I have always considered general finance, the control of the army, and external politics, as peculiarly the province and the exclusive business of the Government of India." The miserable compromise at present adopted has done no good as regards the real objects of decentralisation, viz., judicious economy and opportune liberality of expenditure ; but it has also done harm. For the natives of India do not comprehend our refinements of local and imperial expenditure. To them the local Government is *the Government*. They are prepared to pay that Government, once and for all, whatever it requires, only let it be in the bond and let it be final for the term of the lease. But when, after a settlement of demand which they imagined final for a term, and which already includes, besides the land revenue, cesses on account of roads and education, one tax-gatherer comes round and asks for another heavy cess for local improvements, and another comes round and demands an income-tax for imperial purposes, their "ignorant impatience of taxation," as it has been termed, is excited (illogically no doubt, but so it is), and an unwholesome spirit of unrest is spread through the land. However, in a large part of India the assessment is but fixed for *terms*. Even in Madras, though the demand is almost stereotyped by lapse of time, there is no pretence of perpetuity of settlement. On the expiration of those terms the demand may be enhanced, whether in a lump or divided into vexatious and useless cesses, without exciting any feeling of injustice. But in Bengal, where the demand is fixed in perpetuity, what end do these refinements serve ? Is there any difference, in the eyes of the landholders in that province, between multiplication of cesses upon an assessment they understood to be fixed and cancellation of the settlement altogether ? None. But there would be a vast difference in the return to Government. If a term were now fixed for the expiry of the present settlement, after which the country would be reassessed, opium fluctuations need no longer be thought of ; military reorganisation would be a thing within our reach.

To justify this last assertion we will here give some extracts from the speech of the Lieutenant Governor of Bengal in the last Income-tax debate :—"The well-to-do people of Bengal, especially those in the permanently settled districts, had derived the greatest benefits from British rule, and for those benefits they paid almost infinitesimal sums in the way of taxation . . . So far from taking from the landholders any tax on account of the land, we had created in their favour an enormous property which never existed before. We knew very little of the resources of the land. . . He thought he might say that the annual revenue we had created in favour of the

landholders of these provinces was probably more than twenty millions, possibly it might soon be even forty millions sterling... He might say that the revenue" (meaning income of the landholders) "derived from the land, whether it amounted to twenty, or thirty, or forty millions, was a property utterly unknown to any native Government; and the four millions we took as land-revenue, the small quit-rent levied from landholders, was in no possible sense a "tax." Thus, on a medium calculation, the cancellation of the Permanent Settlement would alone improve the Indian revenues by six millions sterling per annum."

Another evasion of the Permanent Settlement that has been proposed, and which has found much favour among theorists, is the following :—The right of the State Proprietor of the Indian territories is, as before explained, to a share in the produce of the soil, and the cash assessment is a mere commutation of this into a number of silver tokens called rupees, for the sake of convenience. If, therefore, the estates be supposed to have been assessed for ever at a certain number of maunds of grain as representing the Government share of their produce, and the cash commutation for that grain be fixed for a period at the prevailing market rates, the profits of increased cultivation and high farming are preserved to the landholders, and the Government is protected from the fraud of receiving, instead of its fixed amount of produce, a number of silver tokens which yearly fall shorter and shorter of representing that amount. The theory is symmetrical, captivatingly so, but it starts from a false assumption, and leads to an inadequate result. The Permanent Settlement said nothing about maunds of produce and equivalent silver tokens. It called a rupee a rupee, and told the landholder that so long as he paid so many rupees per annum for his estate he would never be called upon for any more. To adopt now the maund of produce and silver token arrangement would be as distinct a breach of that engagement (and so is the levy of cesses in addition to the fixed demand) as the annulment of the settlement, without possessing the advantages of the latter course.

For, under Mr. Mill's argument before amplified, the Bengal landholder has no possible claim to retain the whole profits of his increased cultivation and high farming, (putting out of the question what he owes as before described to the moral and material progress effected by the British Government) save under Lord Cornwallis's engagement. If, therefore, Lord Cornwallis's engagement is to be evaded, or has been evaded, to what purpose is a present made to the Bengal landholder of the State's rights? If it is intended as a sop to Cerberus, it has singularly failed of its effect under the cess arrangement, and will equally do so under that of mannds of produce and silver tokens. Besides, Cerberus has no teeth. The good-will, or otherwise, of the whole population of Bengal Proper and Orissa is, politically, absolutely unimportant to the British Govern-

$$4 \text{ millions} + 6 \text{ millions} = \frac{1}{3} \text{ of } 30 \text{ millions}$$

ment. Macaulay has accurately described the phenomenal, moral and physical imbecility of this race, crushed by the subjection of centuries. This, of course, is no plea for a measure indefensible in itself ; but we might even recoil from a proper one which would produce a dangerous discontent, and there is no ground for such hesitation in Bengal. Besides, as pointed out by Mill in his condemnation of the Permanent Settlement, the persons affected by an interference with that engagement are not such as possess any political importance, or who enjoy the sympathy of the population of Bengal ; "mostly the descendants of Calcutta money-dealers, or of native officials who had enriched themselves under the British Government," they "live as useless drones on the soil which has been given up to them. Whatever the Government has given up of its pecuniary claims, for the creation of such a class, has at the best been wasted." Indeed, a measure which, in putting a term to the present settlement, made the rehabilitation of the status of the crushed Bengal peasant a prominent object in the new one, would secure the sympathy of the entire rural population.\* The native press would, of course, as in the case of the half measures already effected or proposed, do what it could to discredit the measure ; but the native press naturally represents those who support it, and they are certainly not the rural population in Bengal or any other part of India.

Let us, then, look the matter in the face, indulging in no casuistry, and sheltering ourselves under no fine-drawn arguments. Lord Cornwallis distinctly pledged his own and all succeeding Governments to a finality of demand upon the incomes of the Bengal land-holders *for ever* ; and though "for ever" is a term which humanly, and certainly politically, has a limit, still there is no ground for affirming that that limit has been reached now or at any other fixed period. We stand, then, in face of the following dilemma : on the one hand, a vast blunder whose consequences are growing, and must continue to grow, from day to day more and more grave,—ruinous economy, dangerous taxation, gambling finance ; and, on the other hand, a breach of faith with a body of Bengal landholders. Are the interests of the country to be postponed to those of such a body? Will the time arrive, sooner or later (after infinite mischief has been done by delay), when the Permanent Settlement must be *perforce* swept away? These are the questions to consider.

That Parliament can modify, in the general interests of the country, an order of things as firmly based upon abstract right, is shown by the precedent of the Irish Church. That such general interests

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\*The *Sulabh Samach* (published at Calcutta) thus summarises the letter of a ryot concerning the causes of the famine :—"The ryots have no proprietary right in the soil they cultivate. The zemindars, who have it, pay only a stipulated sum to Government, while the rent of the ryots is increased at pleasure. They are indifferent to the interest of the land. The ryots have no durable interest in it."

demand a revision of the Permanent Settlement is a matter daily forcing itself on the conviction of the majority, by the observation of the state of the Indian finances, and the study of the experience of successive Governments in Hindostan. That the land revenue, and that only, is the sheet anchor of the State finance, and that to assign away its natural increment was to compass the aggrandisement of the few by entailing less defensible burdens on the many, is admitted upon all hands. That the breach of faith is neither more nor less, save in degree, than the taxation of the incomes arising from that Permanent Settlement or the superadding of cesses to the demand fixed thereunder, is the opinion of every native concerned. If, then, there is no other way of excluding the "gambler's stake" of opium from the financial forecasts of the Indian Government, and of enabling that Government to look confidently in the face the great increase of military expenditure so urgently necessary—then, considerations of the public weal and the public safety will most entirely absolve any Government that boldly assumes the odium of annulling Lord Cornwallis's rash and unjustifiable engagement.

But is there no other way? There is certainly no other way of adding six millions sterling to the revenue; but other ways of making some augmentation of the Indian receipts have been frequently discussed and condemned. When reproached, in 1871, with poverty of invention, the Finance Minister recapitulated them all, as follows: "I could, if it were deemed fit, suggest many things, but they would all be open to objection; for instance, a marriage tax which might touch somewhat too closely the domestic affairs of the people; a tobacco monopoly, which would affect the garden culture of every ryot; an increase of the salt duty in Bengal, which would tax still further the high-taxed luxuries of the poor;" (the Lieutenant-Governor of Bengal estimates the incidence of the salt tax on the miserable Bengal peasant, the victim of our Permanent Settlement, at 4 per cent. on his average earnings of ten shillings a month!) "additional custom duties, which might unduly affect trade; a succession duty, which would be open to some of the objections of an income-tax without its productiveness." The Finance Minister preferred an income-tax, the ascertained yield of which, at 3 $\frac{1}{8}$ th per cent. on all incomes above £50 a-year, is about two millions a year, and at 1 1-2 $\frac{1}{4}$ th per cent. on incomes over £75 a year only—to which rate and minimum the universal discontent compelled its reduction,—about three quarters of a million a year net. It was popularly supposed to yield about as much more to the assessors and collectors as the price at which the Government was defrauded, about three-fourths of what should have been the produce of the tax.

The cause of the failure of an income-tax needs little investigation by those who are acquainted with the character of the natives of India. In England, if innate honesty did not lead to the correct

filling up of a merchant's or tradesman's schedule, his ideas of credit would lead him to enter the full, or even more than the real, amount of his income; and similarly with the professional man. The land-holders and fund and stock-holders have not, necessarily, this latter reason, but their incomes are generally known, and dishonesty would probably be detected, and would disgrace them in the eyes of their surroundings. With the native of India the converse of all this is generally true. Such honesty he would call idiocy, and such proclamation of his means not a support, but rather an injury to his commercial or professional prospects. Fundholders there are practically none. The means of the landholder certainly can be generally estimated, and the taxing of such means, within the term of a settlement, he regards, as before said, as a breach of faith which he would resist if he dared. After the expiry of such term, when the whole demand is liable to enhancement, the levy of a portion of such enhancement separately, under the name of income-tax, though in no way unjust, is regarded as puerile and vexatious.

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#### No. VI.

THE other methods of taxation referred to by the Finance Minister (putting aside the question of the increase of the salt duty, which every one in India knows must be sooner or later equalised downwards, and increased Customs duties, which would check a commerce that, as it is, develops only too slowly) are a marriage tax, succession tax, and tobacco tax. If we add a sugar tax we complete the roll of all the soberly possible means of raising money that the united intellects of Indian and English financiers have been able to strike out since the Queen's assumption of the Government of India has turned attention to the finances of this country. Both the first have native precedents, and, if carried out on the native system, could be levied without much friction. Their yield, though trifling, should equal that of the latest income-tax (1 1-24 per cent. on incomes above £75 a year), and they should both be tried before that is re-imposed. The income-tax should be reserved as a special war tax. Incomes derived from the land should be exempted. The tax might have a minimum as low as the present, and be levied at

any rate up to 5 per cent.; but it should be assessed in lump sums, according to existing data, upon circles (say the sub-assessorships of the late machinery) within which the classes affected should be left to distribute the demand among themselves by means of *punchayets* (assemblies of the leading men) under the direction of the local officers. It might easily thus be made to yield three millions net, during the period of special need, with a tithe of the discontent and demoralisation incurred hitherto.

The machinery for the levy of the succession tax already exists. It requires but the extension to the natives, with great simplifications, of the Succession Act, which was passed in 1865 for Europeans in India, and which provides for taking out letters of probate and administration. Instead of the sliding scale of stamps laid down for these in the Indian Stamp Act, a fixed rate of 3 per cent. might be prescribed. The people would thus be debarred from claiming in the courts of law any legacy or inheritance on which they had not paid, in the form of a stamped petition announcing the succession, a 3 per cent. duty to the Government. No inquisition would be exercised, and, accepting that disability (which, for a long time, many no doubt would), the natives could go on inheriting, as now, under nuncupative and unproved wills, or by religious and local custom. That this is the only method of imposing a succession tax will be evident to all who know how necessary it is to avoid surprising the natives with a novel machinery, even when the principle is familiar to them. The custom of the payment by the heir of *nuzzerana* or *salumi*, that is, an offering to the ruler of a portion of the estate to which the heir has succeeded, has existed from time immemorial. At the present hour many of the Feudatory States pay such to the British Government on the occurrence of a succession. The machinery of stamp duties, on the other hand, is one to which all India is now accustomed.

The same remark applies to a tax on marriages, though not perhaps in the form in which it has been at different times proposed by European officials, viz., that of a licence to marry. Native land-holders certainly take payments very generally from their tenants on marriage; but no native government has ever successfully taxed such directly. The only practical plan is to give licenses for a certain expenditure on the marriage, and to permit no unlicensed festivities. It is necessary here to explain that the main end and object of Hindoos and Mussulmans in this country is to marry their children respectably, and their position is measured by the degree of *éclat* with which they celebrate the event. Sumptuary laws have at different times been passed on this head by native governments, and great but desultory efforts made by ourselves to check such expenditure. All that it is now proposed to do is to tax it, which will check the expenditure while rendering it, where it cannot be checked, a legitimate source of profit to the State. The license

would act somewhat as does the income-tax with commercial men in England. Natives, far from concealing their expenditure, may be expected to take out, from ostentatious motives, licenses for sums even larger than they can really afford to spend. At the same time, if they would diminish their expenditure on account of the tax, it is just what the Indian Government desires ; this extravagance being a main cause (with litigation) of the lamentable indebtedness of the landholders.

It is difficult to form an estimate of the yield of these taxes. It may generally be assumed that every native, or rather his father for him, will declare to spend a year's income on his marriage. This, at a five per cent. license tax, will produce in each generation of thirty years one-twentieth of the annual income of India. Putting that, for the land only, at three times the land revenue, or sixty-five millions, the tax would produce  $3\frac{1}{4}$  millions every thirty years. Similarly for the succession tax, if we estimate the gross landed estate inherited in each generation at five years' purchase of the annual income, or fifteen years' purchase of the land revenue, then a succession tax of 3 per cent. on 325 millions will yield  $9\frac{3}{4}$  millions every thirty years. Thus the two imposts will return, for the land, thirteen millions every thirty years, and assuming, for the sake of argument, nearly as much more to be obtainable from the moneyed interests, we obtain a total result of about three quarters of a million a year, which is not, however, a sum of any great importance, even if the liberal estimates and bold assumptions upon which the calculation is based came true.

Tobacco in India is not an import, but is grown at every man's door, and is therefore at first sight a difficult subject for taxation. To either of the methods adopted in the similar case of opium—viz., in certain districts by making its cultivation and manufacture a monopoly, and in others by prohibiting such cultivation altogether, and only permitting the consumption of the taxed article—there is for tobacco (as for sugar) an insuperable objection under the Permanent Settlement, or during the term of any settlement, in the understanding conveyed at the time of settlement that there would be no interference with crops save in the matter of opium. A similar objection applies to the plan of licensing the cultivation. The only practicable method therefore of levying a tax on tobacco is by licensing its sale, as is done in the case of Indian hemp and other intoxicating drugs. The licensed vendors in such a case are a most effective aid to the preventive establishments. There is then no necessity for the trouble and expense of cultivation, conservation, and manufacture, which in the case of opium entail such a vast outlay,—lost sight of in the 300 per cent. profits at present obtained upon that monopoly, but which would swamp such monopolies as tobacco or sugar. It is impossible to form an estimate as to what would be the proceeds of a tobacco tax; but it may be safely

assumed that they would not exceed those of the excise, or 2½ millions.

A sugar tax could only be successfully raised in the way proposed for that on tobacco. At the present moment certain transit duties exist upon sugar in Upper India, and the evils that attend upon their collection are not encouraging for an extension of that system for the levy of this tax. Any argument used in favour of a tobacco tax applies equally to one on sugar; the cons are the same, the pros more forcible. Tobacco is no doubt in India a necessary, in a lesser degree only than salt. It is, to the native, tea, coffee, beer, meat, and every other luxury. Sugar, on the other hand, though of enormously extensive use in the shape of molasses and other sweetmeats and even of the raw cane, is an article regarded purely as a treat. When the enhancement of the salt tax was under discussion in 1869 (the European commercial interest, maddened by the enhanced income-tax, having brought forward the dictum of a salt-dealing firm, that a rise in the price of food grains in India justified proportionate enhancement of the price of salt!), the Secretary of State for India wrote as follows:—"I do not concur with those who speak of entertaining a very strong feeling as to the political morality of taxing such an easily and widely produced necessary of life as salt. The justification which has been suggested as the only one for this tax is the only justification of any tax whatever, namely, that the produce is spent for the benefit of the people, and that it is believed to be as little oppressive as possible. On all grounds of general principles salt is a perfectly legitimate subject of taxation. It is impossible in any country to reach the masses of the population by direct taxes. If they are to contribute at all to the expenditure of the State, it must be through taxes levied upon some articles of universal consumption."

In England this is easy enough by means of customs duties; but in India the soil produces whatever the people require, and the customs duties on thirty-five millions sterling of imports affect the 175 millions of poor in British India quite inappreciably. But the salt and excise taxes are borne entirely by the masses, and any argument justifying them applies equally to imposts upon sugar and tobacco. Of all these it can only be said that they are justifiable by necessity—the necessity arising from our assigning away a vast portion of the only source of income on which we can count, with any reasonable certainty, to grow proportionately with the growing exigencies of our expenditure. It is as difficult to hazard a guess at the yield of a sugar as of a tobacco tax. Assuming the former, for the sake of argument, as half the latter (which we assumed equal to excise), we have a total (on a *couleur de rose* estimate), from all the four possible new taxes, of four millions sterling net, or only two-thirds of the increment which would be obtained by putting a term to the Permanent Settlement in Bengal.

In conclusion, the remedy that appears to us the only certain one for an unsound Indian finance is financial decentralisation of the nature before described, which is also that recommended in Chesney's "Indian Polity." Such decentralisation would leave the Imperial Government, under the Actuals of 1872, £24,644,450 (including the gambler's stake of opium) to meet an expenditure which under those Actuals was £19,391,359, exclusive of the Army, but including what the Budget is pleased to style extraordinary public works. But the expenditure on the completion of our railway and canal system is intended to be in future more than double what it was in 1872 (£2,184,570), the increase in interest and pensions is steady, and the loss of a million of salt revenue cannot long be postponed; so that (nearly a million of Imperial income stated being on account of "Army") it may fairly be assumed that the entire net defensive expenditure of the Empire will require to be contributed by the Provinces. As the opium revenue gradually fails, the amount of its deficit will have to be similarly contributed. The defence expenditure for 1872 was (net) 14½ millions, but should be, for many years to come, at least four millions more (including the strengthening of the main strategical points of the country), or say 18 millions net. The share of this which would fall upon Bengal, in the proportion of its population and wealth, would be about six millions sterling, or 50 per cent. more than its whole land revenue. As the income of Bengal under the other heads, (Forest, Stamps, Law and Justice, and Public Works Ordinary) would not pay its ordinary expenditure, but would, on the contrary, leave a large deficit, it is evident that that Province would have to make early arrangements for an improvement of income, to the extent of about cent. per cent. And even the present Lieutenant-Governor of the Province could hardly do that without a revision of the Permanent Settlement, or such a taxation of incomes accruing thereunder as would amount to the same thing.

We need hardly remark that such decentralisation would have to be accompanied by a very considerable development of representative Government in the Provinces, greater administrative independence of such Governments, and adequate representation of them, in the Imperial Councils, by delegates nominated by them and not by the Viceroy. This, however, is a branch of the subject foreign to the immediate object of the present treatise, and only noticed to avoid misconception. It is by thus admitting the native gentry to our counsels, and not by introducing Calcutta Baboos and Bombay Parsees to the Civil Service by a purely competitive test, that we shall educate the natives of India to the task of self-government.

It is evident that the liability of the Provinces for Imperial defence cannot be measured by the extent of their garrisons. The defence of the Empire is maintained upon the frontiers, and Madras and Bengal must contribute thereto. It is peculiarly fair that the

richest populations of the country should contribute liberally to the military expenditure, because it is they who profit most by it. In the event of a general *debâcle*, the people of the Upper Provinces would be able to take fair care of themselves, but those of Bengal and Madras and the coast provinces of Bombay would be indeed as sheep among ravening wolves. It is on this score that Bengal and Madras should contribute to the defence expenditure in proportion to their wealth and population, and not to their immediate military requirements; and here a very pressing question arises concerning those Feudatory Chiefs who rule a population of forty-eight millions with a revenue of fifteen millions, and who contribute only three-quarters of a million to the defence of the Empire and to the cost of that moral and material progress by which they benefit so greatly.

The injustice of this is evident, and it has been proposed to meet the difficulty by taxing them—not, of course, by imposing an income-tax, but by demanding from the States contributions to the Imperial expenditure, as it is proposed to demand from the provinces. Some have gone further, and, proceeding on the ground of the embarrassment caused by their formidable forces, the uselessness of those forces for the Imperial defence, and their costliness to the Chiefs, and, indirectly, to the British Government, have proposed to direct the disbandment of those forces. The money thus saved would then supply the States' contributions for the cost of their defence—which the British Government already practically undertakes, in preventing stronger States from oppressing the weaker ones, and the warlike populations round the borders of India from ravaging the country as in times past. Nothing can be more symmetrical than this theory, but we have elsewhere\* demonstrated the impolicy of reducing it to practice. Nevertheless, something must undoubtedly be done to modify a state of things so anomalous. The time must come when men will demand, as we now do in the case of the Permanent Settlement in Bengal, that special conditions arising from special circumstances should be no more eternal than anything else in nature, and should give way to the exigencies of the public weal.

The Permanent Settlement was adopted as a remedy to the rack-renting unavoidable with the imperfect machinery and imperfect knowledge of a century ago. We fell heirs then, with bewilering rapidity, to slice after slice of the vast Empire of the Moghuls; and we adopted their revenue system, perforce, without the knowledge of, or sympathy with, the people of the country, requisite to prevent its resulting in the impoverishment of the landholders. The treaties which limited our demands upon the Chiefs we subdued or media-

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\* In a pamphlet entitled "The Use of Native Chiefs."